

House File 692

HOUSE FILE _____
BY COMMITTEE ON WAYS AND
MEANS

(SUCCESSOR TO HSB 312)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act concerning regulatory, taxation, and statutory
2 requirements affecting individuals and business relating to
3 taxation of property, income and utilities, liability reform,
4 workers' compensation, financial services, unemployment
5 compensation employer surcharges, economic development, and
6 including effective date, applicability, and retroactive
7 applicability provisions.
8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
9 HF 692
10 sc/es/25

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1 1 DIVISION I
1 2 PROPERTY TAXATION
1 3 Section 1. Section 441.19, subsections 1 and 2, Code 2003,
1 4 are amended to read as follows:
1 5 1. Supplemental and optional to the procedure for the
1 6 assessment of property by the assessor as provided in this
1 7 chapter, the assessor may require from all persons required to
1 8 list their property for taxation as provided by sections 428.1
1 9 and 428.2, a supplemental return to be prescribed by the
1 10 director of revenue and finance upon which the person shall
1 11 list the person's property and any additions or modifications
1 12 completed in the prior year to a structure located on the
1 13 property. The supplemental return shall be in substantially
1 14 the same form as now prescribed by law for the assessment
1 15 rolls used in the listing of property by the assessors. Every
1 16 person required to list property for taxation shall make a
1 17 complete listing of the property upon supplemental forms and
1 18 return the listing to the assessor ~~as promptly as possible~~
1 19 within thirty days of receiving the assessment notice in
1 20 section 441.23. The return shall be verified over the
1 21 signature of the person making the return and section 441.25
1 22 applies to any person making such a return. The assessor
1 23 shall make supplemental return forms available as soon as
1 24 practicable after the first day of January of each year. The
1 25 assessor shall make supplemental return forms available to the
1 26 taxpayer by mail, or at a designated place within the taxing
1 27 district.
1 28 2. Upon receipt of such supplemental return from any
1 29 person the assessor shall prepare a roll assessing such person
1 30 as hereinafter provided. In the preparation of such
1 31 assessment roll the assessor shall be guided not only by the
1 32 information contained in such supplemental roll, but by any
1 33 other information the assessor may have or which may be
1 34 obtained by the assessor as prescribed by the law relating to
1 35 the assessment of property. The assessor shall not be bound
2 1 by any values or square footage determinations or purchase
2 2 prices as listed in such supplemental return, and may include
2 3 in the assessment roll any property omitted from the
2 4 supplemental return which in the knowledge and belief of the
2 5 assessor should be listed as required by law by the person
2 6 making the supplemental return. Upon completion of such roll
2 7 the assessor shall deliver to the person submitting such
2 8 supplemental return a copy of the assessment roll, either
2 9 personally or by mail.
2 10 Sec. 2. NEW SECTION. 441.20 LEGISLATIVE INTENT.
2 11 It is the intent of the general assembly that there be
2 12 transparency in the property tax system. It is further the
2 13 intent of the general assembly that property assessments for
2 14 purposes of property taxation be equal and uniform within
2 15 classes of property. It is further the intent of the general
2 16 assembly to minimize the impact that maintenance and upkeep by

2 17 the owner of property has on the assessment of that property
2 18 and that there be predictability in increases of property
2 19 assessments and that such predictability be based primarily on
2 20 the actions of the property owner. It is further the intent
2 21 of the general assembly to minimize the impact that increases
2 22 in assessed value of property will have on property taxes paid
2 23 and that any increases will be primarily the result of direct
2 24 action taken by the local taxing authority in setting budget
2 25 amounts rather than by increases in market value of property.
2 26 Sec. 3. Section 441.21, Code 2003, is amended by striking
2 27 the section and inserting in lieu thereof the following:
2 28 441.21 ASSESSMENT OF STRUCTURES.
2 29 1. All real property, except land, subject to taxation
2 30 shall be assessed on a value per square foot basis according
2 31 to the provisions of this section.
2 32 2. a. Subject to paragraph "b", for valuations
2 33 established as of January 1, 2006, and for subsequent
2 34 assessment years, the assessed value per square foot of a
2 35 residential structure shall be an amount equal to the
3 1 valuation of the structure as determined for the assessment
3 2 year beginning January 1, 2005, prior to application of the
3 3 assessment limitation for that year, divided by the total
3 4 number of square feet of the structure as of January 1, 2005.
3 5 b. (1) The assessed value per square foot of an existing
3 6 residential structure purchased after January 1, 2005, shall
3 7 be the purchase price of the structure divided by the
3 8 cumulative inflation factor established for the assessment
3 9 year following the year of purchase, divided by the total
3 10 number of square feet of the structure as of January 1 of the
3 11 assessment year. The assessed value per square foot of a
3 12 residential structure newly constructed after January 1, 2005,
3 13 shall be the market value of the structure, as determined by
3 14 the assessor, divided by the cumulative inflation factor
3 15 established for the assessment year following the year
3 16 construction was completed, divided by the total number of
3 17 square feet of the structure as of January 1 of the assessment
3 18 year. However, when valuing an addition that substantially
3 19 increases the square footage of a structure, only that portion
3 20 of the structure comprising the addition shall be valued by
3 21 the assessor under this subparagraph.
3 22 (2) If additions or modifications to an existing structure
3 23 do not constitute a newly constructed structure, the valuation
3 24 of the structure shall only increase if the square footage of
3 25 the structure increases. The increased valuation, if any,
3 26 equals the amount of increased square feet times the value per
3 27 square foot of the structure prior to the additions or
3 28 modifications.
3 29 3. a. Subject to paragraph "b" for valuations established
3 30 as of January 1, 2006, and for subsequent assessment years,
3 31 the assessed value per square foot of a commercial or
3 32 industrial structure shall be an amount equal to the valuation
3 33 of the structure as determined for the assessment year
3 34 beginning January 1, 2005, prior to application of the
3 35 assessment limitation for that year, divided by the total
4 1 number of square feet of the structure as of January 1, 2005.
4 2 b. (1) The assessed value per square foot of an existing
4 3 commercial or industrial structure purchased after January 1,
4 4 2005, shall be the purchase price of the structure divided by
4 5 the cumulative inflation factor established for the assessment
4 6 year following the year of purchase, divided by the total
4 7 number of square feet of the structure as of January 1 of the
4 8 assessment year. The assessed value per square foot of a
4 9 commercial or industrial structure newly constructed after
4 10 January 1, 2005, shall be the market value of the structure,
4 11 as determined by the assessor, divided by the cumulative
4 12 inflation factor established for the assessment year following
4 13 the year construction was completed, divided by the total
4 14 number of square feet of the structure as of January 1 of the
4 15 assessment year. However, when valuing an addition that
4 16 substantially increases the square footage of a structure,
4 17 only that portion of the structure comprising the addition
4 18 shall be valued by the assessor under this subparagraph.
4 19 (2) If additions or modifications to an existing structure
4 20 do not constitute a newly constructed structure, the valuation
4 21 of the structure shall only increase if the square footage of
4 22 the structure increases. The increased valuation, if any,
4 23 equals the amount of increased square feet times the value per
4 24 square foot of the structure prior to the additions or
4 25 modifications.
4 26 4. a. Subject to paragraph "b" for valuations established
4 27 as of January 1, 2006, and for subsequent assessment years,

4 28 the assessed value per square foot of an agricultural
4 29 structure that is not an agricultural dwelling shall be an
4 30 amount equal to the valuation of the structure as determined
4 31 for the assessment year beginning January 1, 2005, prior to
4 32 application of the assessment limitation for that year,
4 33 divided by the total number of square feet of the structure as
4 34 of January 1, 2005.

4 35 b. (1) The assessed value per square foot of an existing
5 1 agricultural structure purchased after January 1, 2005, shall
5 2 be the productivity value of the structure divided by the
5 3 cumulative inflation factor established for the assessment
5 4 year following the year of purchase, divided by the total
5 5 number of square feet of the structure as of January 1 of the
5 6 assessment year. The assessed value per square foot of an
5 7 agricultural structure newly constructed after January 1,
5 8 2005, shall be the productivity value of the structure for the
5 9 assessment year following the year construction was completed,
5 10 as determined by the assessor, divided by the cumulative
5 11 inflation factor established for the assessment year following
5 12 the year construction was completed, divided by the total
5 13 number of square feet of the structure as of January 1 of the
5 14 assessment year. However, when valuing an addition that
5 15 substantially increases the square footage of a structure,
5 16 only that portion of the structure comprising the addition
5 17 shall be valued by the assessor under this subparagraph.

5 18 (2) If additions or modifications to an existing structure
5 19 do not constitute a newly constructed structure, the valuation
5 20 of the structure shall only increase if the square footage of
5 21 the structure increases. The increased valuation, if any,
5 22 equals the amount of increased square feet times the value per
5 23 square foot of the structure prior to the additions or
5 24 modifications.

5 25 5. a. In determining the market value of newly
5 26 constructed property, except agricultural structures, the
5 27 assessor may determine the value of the property using uniform
5 28 and recognized appraisal methods including its productive and
5 29 earning capacity, if any, industrial conditions, its cost,
5 30 physical and functional depreciation and obsolescence and
5 31 replacement cost, and all other factors which would assist in
5 32 determining the fair and reasonable market value of the
5 33 property but the actual value shall not be determined by use
5 34 of only one such factor. The following shall not be taken
5 35 into consideration: special value or use value of the
6 1 property to its present owner, and the goodwill or value of a
6 2 business that uses the property as distinguished from the
6 3 value of the property as property. However, in assessing
6 4 property that is rented or leased to low-income individuals
6 5 and families as authorized by section 42 of the Internal
6 6 Revenue Code, as amended, and which section limits the amount
6 7 that the individual or family pays for the rental or lease of
6 8 units in the property, the assessor shall use the productive
6 9 and earning capacity from the actual rents received as a
6 10 method of appraisal and shall take into account the extent to
6 11 which that use and limitation reduces the market value of the
6 12 property. The assessor shall not consider any tax credit
6 13 equity or other subsidized financing as income provided to the
6 14 property in determining the market value. Upon adoption of
6 15 uniform rules by the department of revenue and finance
6 16 covering assessments and valuations of such properties, the
6 17 valuation on such properties shall be determined in accordance
6 18 with such values for assessment purposes to assure uniformity,
6 19 but such rules shall not be inconsistent with or change the
6 20 foregoing means of determining the market value.

6 21 b. The actual value of special purpose tooling, which is
6 22 subject to assessment and taxation as real property under
6 23 section 427A.1, subsection 1, paragraph "e", but which can be
6 24 used only to manufacture property which is protected by one or
6 25 more United States or foreign patents, shall not exceed the
6 26 fair and reasonable exchange value between a willing buyer and
6 27 a willing seller, assuming that the willing buyer is
6 28 purchasing only the special purpose tooling and not the patent
6 29 covering the property which the special purpose tooling is
6 30 designed to manufacture nor the rights to manufacture the
6 31 patented property. For purposes of this paragraph, special
6 32 purpose tooling includes dies, jigs, fixtures, molds,
6 33 patterns, and similar property. The assessor shall not take
6 34 into consideration the special value or use value to the
6 35 present owner of the special purpose tooling which is designed
7 1 and intended solely for the manufacture of property protected
7 2 by a patent in arriving at the actual value of the special
7 3 purpose tooling.

7 4 c. In determining the purchase price of a structure, the
7 5 assessor shall consider whether the sale was a fair and
7 6 reasonable exchange in the year in which the property was
7 7 listed and valued between a willing buyer and a willing
7 8 seller, neither being under any compulsion to buy or sell and
7 9 each being familiar with all the facts relating to the
7 10 particular property. Sale prices of the property or
7 11 comparable property in normal transactions reflecting market
7 12 value, and the probable availability or unavailability of
7 13 persons interested in purchasing the property, shall be taken
7 14 into consideration in determining purchase price. In
7 15 determining purchase price, sale prices of property in
7 16 abnormal transactions not reflecting market value shall not be
7 17 taken into account, or shall be adjusted to eliminate the
7 18 effect of factors which distort market value, including but
7 19 not limited to sales to immediate family of the seller,
7 20 foreclosure or other forced sales, contract sales, or
7 21 discounted purchase transactions.

7 22 d. If a county enters into a contract before May 1, 2003,
7 23 for a comprehensive revaluation by a private appraiser and
7 24 such revaluation is for the assessment year beginning January
7 25 1, 2006, the valuations determined under the comprehensive
7 26 revaluation for that assessment year shall be divided by the
7 27 cumulative inflation factor for the assessment year beginning
7 28 January 1, 2006, and that quotient shall be considered the
7 29 valuation of the property for the assessment year beginning
7 30 January 1, 2005.

7 31 6. Notwithstanding any other provision of this section,
7 32 the assessed value per square foot of a structure times the
7 33 total number of square feet of the structure shall not exceed
7 34 its fair and reasonable market value for the assessment year,
7 35 except for agricultural structures which shall be valued
8 1 exclusively as provided in subsection 4.

8 2 7. For purposes of this section:

8 3 a. "Annual inflation factor" means an index, expressed as
8 4 a percentage, determined by the department by January 15 of
8 5 the assessment year for which the factor is determined, which
8 6 reflects the purchasing power of the dollar as a result of
8 7 inflation during the twelve-month period ending September 30
8 8 of the calendar year preceding the assessment year for which
8 9 the factor is determined. In determining the annual inflation
8 10 factor, the department shall use the annual percent change,
8 11 but not less than zero percent, in the gross domestic product
8 12 price deflator computed for the calendar year by the bureau of
8 13 economic analysis of the United States department of commerce
8 14 and shall add all of that percent change to one hundred
8 15 percent. The annual inflation factor and the cumulative
8 16 inflation factor shall each be expressed as a percentage
8 17 rounded to the nearest one-tenth of one percent. The annual
8 18 inflation factor shall not be less than one hundred percent.
8 19 The annual inflation factor for the 2005 calendar year is one
8 20 hundred percent.

8 21 b. "Cumulative inflation factor" means the product of the
8 22 annual inflation factor for the 2005 calendar year and all
8 23 annual inflation factors for subsequent calendar years as
8 24 determined pursuant to this subsection. The cumulative
8 25 inflation factor applies to the assessment year beginning on
8 26 January 1 of the calendar year for which the latest annual
8 27 inflation factor has been determined.

8 28 c. "Newly constructed" includes, but is not limited to,
8 29 structural replacement, additions that substantially increase
8 30 the square footage, conversion into another class of property,
8 31 and conversion from exempt property under section 427.1 to
8 32 taxable property. For commercial and industrial property,
8 33 "newly constructed" also includes an addition or removal to a
8 34 structure of personal property taxed as real estate under
8 35 chapter 427A.

9 1 d. "Structure" means any part of that which is built or
9 2 constructed, an edifice or building of any kind, or any piece
9 3 of work artificially built up or composed of parts joined
9 4 together in some definite manner. For residential structures,
9 5 structure includes only those parts of the structure,
9 6 including basements and attics, that are or could be used as
9 7 living space. "Structure" does not include the land beneath,
9 8 or horizontal improvements relating to the structure, such as
9 9 sidewalks, sewers, or retaining walls.

9 10 8. For the purpose of computing the debt limitations for
9 11 municipalities, political subdivisions, and school districts,
9 12 the term "actual value" means the "actual value" as determined
9 13 under this section without application of any percentage
9 14 reduction and entered opposite each item, and as listed on the

9 15 tax list as provided in section 443.2, as "actual value".
9 16 Whenever any board of review or other tribunal changes the
9 17 assessed value of property, all applicable records of
9 18 assessment shall be adjusted to reflect such change in both
9 19 assessed value and actual value of such property.
9 20 9. The provisions of this chapter and chapters 443, 443A,
9 21 and 444 shall be subject to legislative review at least once
9 22 every five years. The review shall be based upon a property
9 23 tax status report containing the recommendations of a property
9 24 tax implementation committee appointed to conduct a review of
9 25 the land tax, square footage tax, the baseline assessment for
9 26 the square footage tax, and other related provisions, to be
9 27 prepared with the assistance of the departments of management
9 28 and revenue and finance. The report shall include
9 29 recommendations for changes or revisions based upon
9 30 demographic changes and property tax valuation fluctuations
9 31 observed during the preceding five-year interval, and a
9 32 summary of issues that have arisen since the previous review
9 33 and potential approaches for their resolution. The first such
9 34 report shall be submitted to the general assembly no later
9 35 than January 1, 2010, with subsequent reports developed and
10 1 submitted by January 1 at least every fifth year thereafter.

10 2 Sec. 4. NEW SECTION. 441.21A PROPERTY CLASSIFICATIONS.

10 3 1. a. Agricultural land shall be valued at its
10 4 productivity value. The productivity value of agricultural
10 5 land shall be determined on the basis of productivity and net
10 6 earning capacity of the land determined on the basis of its
10 7 use for agricultural purposes capitalized at a rate of seven
10 8 percent and applied uniformly among counties and among classes
10 9 of property. Any formula or method employed to determine
10 10 productivity and net earning capacity of land shall be adopted
10 11 in full by rule.

10 12 b. In counties or townships in which field work on a
10 13 modern soil survey has been completed since January 1, 1949,
10 14 the assessor shall place emphasis upon the results of the
10 15 survey in spreading the valuation among individual parcels of
10 16 such agricultural land.

10 17 c. "Agricultural land" includes the land of a vineyard.

10 18 2. a. "Residential property" includes all lands and
10 19 buildings which are primarily used or intended for human
10 20 habitation, including those buildings located on agricultural
10 21 land. Buildings used primarily or intended for human
10 22 habitation shall include the dwelling as well as structures
10 23 and improvements used primarily as a part of, or in
10 24 conjunction with, the dwelling. This includes but is not
10 25 limited to garages, whether attached or detached, tennis
10 26 courts, swimming pools, guest cottages, and storage sheds for
10 27 household goods. Residential property located on agricultural
10 28 land shall include only buildings.

10 29 b. "Residential property" includes all land and buildings
10 30 of multiple housing cooperatives organized under chapter 499A
10 31 and includes land and buildings used primarily for human
10 32 habitation which land and buildings are owned and operated by
10 33 organizations that have received tax-exempt status under
10 34 section 501(c)(3) of the Internal Revenue Code and rental
10 35 income from the property is not taxed as unrelated business
11 1 income under section 422.33, subsection 1A.

11 2 c. "Residential property" includes an apartment in a
11 3 horizontal property regime referred to in chapter 499B which
11 4 is used or intended for use for human habitation regardless of
11 5 who occupies the apartment. Existing structures shall not be
11 6 converted to a horizontal property regime unless applicable
11 7 building code requirements have been met.

11 8 d. Buildings for human habitation that are used as
11 9 commercial ventures, including but not limited to hotels,
11 10 motels, rest homes, and structures containing three or more
11 11 separate living quarters shall not be considered residential
11 12 property.

11 13 Sec. 5. Section 441.23, Code 2003, is amended to read as
11 14 follows:

11 15 441.23 NOTICE OF VALUATION.

11 16 If there has been an increase or decrease in the valuation
11 17 of the property, or upon the written request of the person
11 18 assessed, the assessor shall, at the time of making the
11 19 assessment, inform the person assessed, in writing, of the
11 20 valuation put upon the taxpayer's property, and notify the
11 21 person, if the person feels aggrieved, to appear before the
11 22 board of review and show why the assessment should be changed.
11 23 However, if the valuation of ~~a class of~~ agricultural property
11 24 is uniformly decreased, the assessor may notify the affected
11 25 property owners by publication in the official newspapers of

11 26 the county. The owners of real property shall be notified not
11 27 later than April 15 of any adjustment of the real property
11 28 assessment. The notification shall include a supplemental
11 29 return form for the person to list the person's property and
11 30 any additions or modifications completed in the prior year to
11 31 a structure located on the property, as required in section
11 32 441.19.

11 33 Sec. 6. Section 441.24, Code 2003, is amended to read as
11 34 follows:

11 35 441.24 REFUSAL TO FURNISH STATEMENT.

12 1 1. If a person refuses to furnish the verified statements
12 2 required in connection with the assessment of property by the
12 3 assessor, or to list the corporation's or person's property,
12 4 the director of revenue and finance, or assessor, as the case
12 5 may be, shall proceed to list and assess the property
12 6 according to the best information obtainable, and shall add to
12 7 the ~~taxable~~ agricultural land and square footage valuation one
12 8 hundred percent thereof, which valuation and penalty shall be
12 9 separately shown, and shall constitute the assessment; and if
12 10 the agricultural land or square footage valuation of the
12 11 property is changed by a board of review, or on appeal from a
12 12 board of review, a like penalty shall be added to the
12 13 valuation thus fixed.

12 14 2. However, all or part of the penalty imposed under this
12 15 section may be waived by the board of review upon application
12 16 to the board by the assessor or the property owner. The
12 17 waiver or reduction in the penalty shall be allowed only on
12 18 the agricultural land or the square footage valuation of ~~real~~
12 19 ~~property the structure~~ against which the penalty has been
12 20 imposed.

12 21 Sec. 7. Section 441.26, unnumbered paragraph 3, Code 2003,
12 22 is amended to read as follows:

12 23 The notice in ~~1981~~ 2007 and each odd-numbered year
12 24 thereafter shall contain a statement that ~~the~~ agricultural
12 25 property assessments and property assessed pursuant to section
12 26 441.21, subsection 2, paragraph "b", subparagraph (1), and
12 27 subsection 3, paragraph "b", subparagraph (1), are subject to
12 28 equalization pursuant to an order issued by the director of
12 29 revenue and finance, that the county auditor shall give notice
12 30 on or before October 15 by publication in an official
12 31 newspaper of general circulation to any ~~class of~~ agricultural
12 32 property affected by the equalization order, and that the
12 33 board of review shall be in session from October 15 to
12 34 November 15 to hear protests of affected property owners or
12 35 taxpayers whose valuations have been adjusted by the
13 1 equalization order.

13 2 Sec. 8. Section 441.26, unnumbered paragraphs 4 and 5,
13 3 Code 2003, are amended to read as follows:

13 4 The assessment rolls shall be used in listing the property,
13 5 ~~the number of structures, and the total square footage of the~~
13 6 ~~structures by class of property, and showing the values~~
13 7 ~~affixed to agricultural land and the assessed value per square~~
13 8 ~~foot affixed to the property the structures by class of~~
13 9 ~~property of all persons assessed.~~ The rolls shall be made in
13 10 duplicate. The duplicate roll shall be signed by the
13 11 assessor, detached from the original and delivered to the
13 12 person assessed if there has been an increase or decrease in
13 13 the valuation of the property. If there has been no change in
13 14 the evaluation, the information on the roll may be printed on
13 15 computer stock paper and preserved as required by this
13 16 chapter. If the person assessed requests in writing a copy of
13 17 the roll, the copy shall be provided to the person. The pages
13 18 of the assessor's assessment book shall contain columns ruled
13 19 and headed for the information required by this chapter and
13 20 that which the director of revenue and finance deems essential
13 21 in the equalization work of the director. The assessor shall
13 22 return all assessment rolls and schedules to the county
13 23 auditor, along with the completed assessment book, as provided
13 24 in this chapter, and the county auditor shall carefully keep
13 25 and preserve the rolls, schedules and book for a period of
13 26 five years from the time of its filing in the county auditor's
13 27 office.

13 28 Beginning with valuations for January 1, ~~1977~~ 2006, and
13 29 each succeeding year, for each parcel of agricultural property
13 30 and for each structure entered in the assessment book, the
13 31 assessor shall list the classification of the property.

13 32 Sec. 9. Section 441.35, subsection 1, Code 2003, is
13 33 amended by striking the subsection.

13 34 Sec. 10. Section 441.35, unnumbered paragraph 2, Code
13 35 2003, is amended by striking the unnumbered paragraph.

14 1 Sec. 11. Section 441.36, Code 2003, is amended to read as

14 2 follows:

14 3 441.36 CHANGE OF ASSESSMENT == NOTICE.

14 4 All changes in assessments authorized by the board of
14 5 review, and reasons therefor, shall be entered in the minute
14 6 book kept by ~~said the~~ board and on the assessment roll. ~~Said~~
14 7 ~~The~~ minute book shall be filed with the assessor after the
14 8 adjournment of the board of review and shall at all times be
14 9 open to public inspection. In case the value of any specific
14 10 property or structure or the entire assessment of any person,
14 11 partnership, or association is increased, or new property or a
14 12 new structure is added by the board, the clerk shall give
14 13 immediate notice thereof by mail to each at the post-office
14 14 address shown on the assessment rolls, and at the conclusion
14 15 of the action of the board therein the clerk shall post an
14 16 alphabetical list of those whose assessments are thus raised
14 17 and added, in a conspicuous place in the office or place of
14 18 meeting of the board, and enter upon the records a statement
14 19 that such posting has been made, which entry shall be
14 20 conclusive evidence of the giving of the notice required. The
14 21 board shall hold an adjourned meeting, with at least five days
14 22 intervening after the posting of ~~said the~~ notices, before
14 23 final action with reference to the raising of assessments or
14 24 the adding of property or structures to the rolls is taken,
14 25 and the posted notices shall state the time and place of
14 26 holding such adjourned meeting, which time and place shall
14 27 also be stated in the proceedings of the board.

14 28 Sec. 12. Section 441.37, subsection 1, paragraphs a and b,
14 29 Code 2003, are amended to read as follows:

14 30 a. That ~~said the~~ assessment is not equitable as compared
14 31 with assessments of other like property or structures in the
14 32 taxing district. When this ground is relied upon as the basis
14 33 of a protest the legal description and assessments of a
14 34 representative number of comparable ~~properties structures~~, as
14 35 described by the aggrieved taxpayer shall be listed on the
15 1 protest, otherwise ~~said the~~ protest shall not be considered on
15 2 this ground.

15 3 b. That the property or structure is assessed for more
15 4 than the value authorized by law, stating the specific amount
15 5 which the protesting party believes the property or structure
15 6 to be overassessed, and the amount which the party considers
15 7 to be its actual value and the amount the party considers a
15 8 fair assessment.

15 9 Sec. 13. Section 441.39, Code 2003, is amended to read as
15 10 follows:

15 11 441.39 TRIAL ON APPEAL.

15 12 The court shall hear the appeal in equity and determine
15 13 anew all questions arising before the board which relate to
15 14 the liability of the property or structure to assessment or
15 15 the amount thereof. The court shall consider all of the
15 16 evidence and there shall be no presumption as to the
15 17 correctness of the ~~valuation of~~ assessment appealed from. Its
15 18 decision shall be certified by the clerk of the court to the
15 19 county auditor, and the assessor, who shall correct the
15 20 assessment books accordingly.

15 21 Sec. 14. Section 441.42, Code 2003, is amended to read as
15 22 follows:

15 23 441.42 APPEAL ON BEHALF OF PUBLIC.

15 24 Any officer of a county, city, township, drainage district,
15 25 levee district, or school district interested or a taxpayer
15 26 thereof may in like manner make complaint before ~~said the~~
15 27 board of review in respect to the assessment of any property
15 28 or structure in the township, drainage district, levee
15 29 district or city and an appeal from the action of the board of
15 30 review in fixing the amount of assessment on any property or
15 31 structure concerning which such complaint is made, may be
15 32 taken by any of such aforementioned officers.

15 33 Such appeal is in addition to the appeal allowed to the
15 34 person whose property or structure is assessed and shall be
15 35 taken in the name of the county, city, township, drainage
16 1 district, levee district, or school district interested, and
16 2 tried in the same manner, except that the notice of appeal
16 3 shall also be served upon the owner of the property or
16 4 structure concerning which the complaint is made and affected
16 5 thereby or person required to return said property or
16 6 structure for assessment.

16 7 Sec. 15. Section 441.43, Code 2003, is amended to read as
16 8 follows:

16 9 441.43 POWER OF COURT.

16 10 Upon trial of any appeal from the action of the board of
16 11 review fixing the amount of assessment upon any property or
16 12 structure concerning which complaint is made, the court may

16 13 increase, decrease, or affirm the amount of the assessment
16 14 appealed from.

16 15 Sec. 16. Section 441.45, subsections 1 and 2, Code 2003,
16 16 are amended to read as follows:

16 17 1. The number of acres of land and the aggregate taxable
16 18 values of the agricultural land, ~~exclusive of city lots~~,
16 19 returned by the assessors, as corrected by the board of
16 20 review.

16 21 2. The aggregate values of structures and the taxable
16 22 square footage values of ~~real estate structures~~ by class in
16 23 each township and city in the county and the aggregate value
16 24 of agricultural land in each township and city in the county,

16 25 returned as corrected by the board of review.
16 26 Sec. 17. Section 441.47, Code 2003, is amended by adding

16 27 the following new unnumbered paragraph:
16 28 NEW UNNUMBERED PARAGRAPH. For the assessment year
16 29 beginning January 1, 2007, and for all subsequent assessment
16 30 years, only property classified as agricultural property and
16 31 property assessed pursuant to section 441.21, subsection 2,
16 32 paragraph "b", subparagraph (1), and subsection 3, paragraph
16 33 "b", subparagraph (1), shall be subject to equalization by the
16 34 director of revenue and finance under this section and
16 35 sections 441.48 and 441.49.

17 1 Sec. 18. NEW SECTION. 441.47A EQUALIZATION OF INFLATION
17 2 FACTORS.

17 3 The director of revenue and finance on or about August 15,
17 4 2007, and every two years thereafter, shall order the
17 5 equalization of the assessed value per square foot resulting
17 6 from the application of the cumulative inflation factor in the
17 7 several assessing jurisdictions in each case as may be
17 8 necessary to bring such values as fixed by the assessor in
17 9 cases of purchases of property and newly constructed property
17 10 to the values determined for the assessment year beginning
17 11 January 1, 2005. In equalizing the effects of the application
17 12 of the cumulative inflation factor, the department shall make
17 13 use of reports issued by Iowa state university of science and
17 14 technology which reports shall more precisely indicate, on a
17 15 county-by-county basis, annual and cumulative inflation
17 16 factors for each county. If the cumulative inflation factor
17 17 for an assessing jurisdiction as reported by Iowa state
17 18 university of science and technology is five percent above or
17 19 below the cumulative inflation factor as defined in section
17 20 441.21, subsection 7, the director shall notify the assessor
17 21 by mail of the equalization of the effects of the cumulative
17 22 inflation factor for the assessing jurisdiction. The assessor
17 23 shall recompute the assessments made pursuant to section
17 24 441.21, subsection 2, paragraph "b", subparagraph (1),
17 25 subsection 3, paragraph "b", subparagraph (1), and subsection
17 26 4, paragraph "b", subparagraph (1), by applying the equalized
17 27 inflation factor. The assessor shall send notice of the
17 28 equalized assessments to all affected property owners.

17 29 Sec. 19. Section 441.50, Code 2003, is amended to read as
17 30 follows:

17 31 441.50 APPRAISERS EMPLOYED.

17 32 The conference board shall have power to employ appraisers
17 33 or other technical or expert help to assist in the ~~valuation~~
17 34 assessment of property as provided in section 441.21, the cost
17 35 thereof to be paid in the same manner as other expenses of the
18 1 assessor's office. The conference board may certify for levy
18 2 annually an amount not to exceed forty and one-half cents per
18 3 thousand dollars of assessed value of taxable property for the
18 4 purpose of establishing a special appraiser's fund, to be used
18 5 only for such purposes. From time to time the conference
18 6 board may direct the transfer of any unexpended balance in the
18 7 special appraiser's fund to the assessment expense fund.

18 8 Sec. 20. Section 443.1, Code 2003, is amended to read as
18 9 follows:

18 10 443.1 CONSOLIDATED TAX.

18 11 All square footage taxes which are uniform throughout any
18 12 township or school district shall be formed into a single tax
18 13 and entered upon the tax list in a single column, to be known
18 14 as a consolidated tax, and each receipt shall show the
18 15 percentage levied for each separate fund. The land tax shall
18 16 be separately stated and each receipt shall show the
18 17 percentage levied for each separate fund.

18 18 Sec. 21. Section 443.2, Code 2003, is amended to read as
18 19 follows:

18 20 443.2 TAX LIST.

18 21 Before the first day of July in each year, the county
18 22 auditor shall transcribe the assessments of the townships and
18 23 cities into a book or record, to be known as the tax list,

18 24 properly ruled and headed, with separate columns, in which
18 25 shall be entered the names of the taxpayers, descriptions of
18 26 lands, number of acres and value, numbers of city lots, their
18 27 size in acres, and value, and each description of the square
18 28 footage tax and the land tax, with a column for polls and one
18 29 for payments, and shall complete it by entering the amount due
18 30 on each installment, separately, and carrying out the total of
18 31 both installments. The total of all columns of each page of
18 32 each book or other record shall balance with the tax totals.
18 33 After computing the amount of land tax and square footage tax
18 34 due and payable on each property, the county auditor shall
18 35 round the total amount of ~~tax taxes~~ due and payable on the
19 1 property to the nearest even whole dollar.

19 2 The county auditor shall list the aggregate actual value
19 3 and the aggregate taxable value of all taxable property within
19 4 the county and each political subdivision including property
19 5 subject to the statewide property tax imposed under section
19 6 437A.18 on the tax list in order that the actual value of the
19 7 taxable property within the county or a political subdivision
19 8 may be ascertained and shown by the tax list for the purpose
19 9 of computing the debt-incurring capacity of the county or
19 10 political subdivision. As used in this section, "actual
19 11 value" is the value determined under section 441.21,
19 12 subsections 1 to 3, Code 2005, prior to the reduction to a
19 13 percentage of actual value as otherwise provided in section
19 14 441.21, Code 2005. "Actual value" of property subject to
19 15 statewide property tax is the assessed value under section
19 16 437A.18.

19 17 Sec. 22. Section 443.3, Code 2003, is amended to read as
19 18 follows:

19 19 443.3 CORRECTION == TAX APPORTIONED.

19 20 At the time of transcribing ~~said~~ the assessments into the
19 21 tax list, the county auditor shall correct all transfers up to
19 22 date and place the legal descriptions of all real estate in
19 23 the name of the owner at ~~said that~~ date as shown by the
19 24 transfer book in the auditor's office. At the end of the list
19 25 for each township or city the auditor shall make an abstract
19 26 thereof, and apportion the consolidated tax among the
19 27 respective funds to which it belongs, according to the amounts
19 28 levied for each. The auditor shall apportion the land tax as
19 29 prescribed in section 443A.2.

19 30 Sec. 23. Section 443.6, Code 2003, is amended to read as
19 31 follows:

19 32 443.6 CORRECTIONS BY AUDITOR.

19 33 The auditor may correct any error in the assessment or tax
19 34 list, and the assessor or auditor may list for taxation any
19 35 omitted land and may assess and list for taxation any omitted
20 1 property structure.

20 2 Sec. 24. Section 443.7, Code 2003, is amended to read as
20 3 follows:

20 4 443.7 NOTICE.

20 5 Before listing for taxation any omitted land and before
20 6 assessing and listing for taxation any omitted ~~property~~
20 7 structure, the assessor or auditor shall notify by mail the
20 8 person in whose name the ~~property land or structure~~ is taxed,
20 9 to appear before the assessor or auditor at the assessor's or
20 10 auditor's office within ten days from the date of the notice
20 11 and show cause, if any, why the correction or assessment
20 12 should not be made.

20 13 Sec. 25. Section 443.9, Code 2003, is amended to read as
20 14 follows:

20 15 443.9 ADJUSTMENT OF ACCOUNTS.

20 16 If such correction or assessment is made after the books or
20 17 other records approved by the ~~state~~ auditor of state have
20 18 passed into the hands of the treasurer, the treasurer shall be
20 19 charged or credited therefor as the case may be. In the event
20 20 such listing of omitted land or listing and assessment of
20 21 omitted ~~property structure~~ is made by the assessor after the
20 22 tax records have passed into the hands of the auditor or
20 23 treasurer, such correction or assessment shall be entered on
20 24 the records by the auditor or treasurer.

20 25 Sec. 26. Section 443.12, Code 2003, is amended to read as
20 26 follows:

20 27 443.12 CORRECTIONS BY TREASURER.

20 28 When ~~property land or a structure~~ subject to taxation is
20 29 withheld, overlooked, or from any other cause is not listed,
20 30 or is not listed and assessed, the county treasurer shall,
20 31 when apprised thereof, at any time within two years from the
20 32 date at which such listing and assessment should have been
20 33 made, demand of the person, firm, corporation, or other party
20 34 by whom the same should have been listed, or to whom it should

20 35 have been listed and assessed, or of the administrator
21 1 thereof, the amount the ~~property land or structure~~ should have
21 2 been taxed in each year the same was so withheld or overlooked
21 3 and not listed or not listed and assessed, together with six
21 4 percent interest thereon from the time the taxes would have
21 5 become due and payable had such ~~property land~~ been listed or
21 6 such structure been listed and assessed.

21 7 Sec. 27. Section 443.13, Code 2003, is amended to read as
21 8 follows:
21 9 443.13 ACTION BY TREASURER == APPORTIONMENT.
21 10 Upon failure to pay such sum within thirty days, with all
21 11 accrued interest, the treasurer shall cause an action to be
21 12 brought in the name of the treasurer for the use of the proper
21 13 county, to be prosecuted by the county attorney, or such other
21 14 person as the board of supervisors may appoint, and when such
21 15 ~~property land~~ has been fraudulently withheld from listing or
21 16 such structure fraudulently withheld from listing and
21 17 assessment, there shall be added to the sum found to be due a
21 18 penalty of fifty percent upon the amount, which shall be
21 19 included in the judgment. The amount thus recovered shall be
21 20 by the treasurer apportioned ratably as the taxes would have
21 21 been if they had been paid according to law.

21 22 Sec. 28. Section 443.14, Code 2003, is amended to read as
21 23 follows:
21 24 443.14 DUTY OF TREASURER.
21 25 The treasurer shall assess any ~~real property structure and~~
21 26 shall list the acreage of any land subject to taxation which
21 27 may have been omitted by the assessor, board of review, or
21 28 county auditor, and collect taxes thereon, and in such cases
21 29 shall note, opposite the tract or lot assessed, the words "by
21 30 treasurer".

21 31 Sec. 29. Section 443.15, Code 2003, is amended to read as
21 32 follows:
21 33 443.15 TIME LIMIT.
21 34 The assessment shall be made within two years after the tax
21 35 list shall have been delivered to the treasurer for
22 1 collection, and not afterwards, if the ~~property land or~~
22 2 structure is then owned by the person who should have paid the
22 3 tax.

22 4 Sec. 30. Section 443.17, Code 2003, is amended to read as
22 5 follows:
22 6 443.17 PRESUMPTION OF TWO=YEAR OWNERSHIP.
22 7 In any action or proceeding, now pending or hereafter
22 8 brought, to recover taxes upon ~~property land~~ not listed or
22 9 agricultural land or a structure not listed and assessed for
22 10 taxation during the lifetime of any decedent, it shall be
22 11 presumed that any property, any evidence of ownership of
22 12 property, and any evidence of a promise to pay, owned by a
22 13 decedent at the date of the decedent's death, had been
22 14 acquired and owned by such decedent more than two years before
22 15 the date of the decedent's death; and the burden of proving
22 16 that any such property had been acquired by such decedent less
22 17 than two years before the date of the decedent's death shall
22 18 be upon the heirs, legatees, and legal representatives of any
22 19 such decedent.

22 20 Sec. 31. Section 443.18, Code 2003, is amended to read as
22 21 follows:
22 22 443.18 REAL ESTATE == DUTY OF OWNER.
22 23 In all cases where ~~real estate land~~ subject to taxation has
22 24 not been listed or agricultural land or a structure subject to
22 25 taxation has not been listed and assessed, the owner, or an
22 26 agent of the owner, shall have the same done by the treasurer,
22 27 and pay the taxes thereon; and if the owner fails to do so the
22 28 treasurer shall list or list and assess the same and collect
22 29 the tax assessed as the treasurer does other taxes.

22 30 Sec. 32. Section 443.19, Code 2003, is amended to read as
22 31 follows:
22 32 443.19 IRREGULARITIES, ERRORS AND OMISSIONS == EFFECT.
22 33 ~~No A~~ failure of the owner to have such ~~property land listed~~
22 34 or agricultural land or structure listed and assessed or to
22 35 have the errors in the listing or assessment corrected, and ~~no~~
23 1 an irregularity, error or omission in the listing of such land
23 2 or listing and assessment of such ~~property agricultural land~~
23 3 or structure, shall not affect in any manner the legality of
23 4 the taxes levied thereon, or affect any right or title to such
23 5 ~~real estate property~~ which would have accrued to any party
23 6 claiming or holding under and by virtue of a deed executed by
23 7 the treasurer as provided by this title, had the listing and
23 8 assessment of such property been in all respects regular and
23 9 valid.

23 10 Sec. 33. Section 443.21, Code 2003, is amended to read as

23 11 follows:

23 12 443.21 ASSESSMENTS CERTIFIED TO COUNTY AUDITOR.

23 13 All assessors and assessing bodies, including the
23 14 department of revenue and finance having authority over the
23 15 listing of land or listing and assessment of ~~property~~
23 16 agricultural land and structures for tax purposes shall
23 17 certify to the county auditor of each county the number of
23 18 acres of land and the assessed values of agricultural land and

23 19 structures for all the taxable property in such county as
23 20 finally ~~equalized and~~ determined, and the same shall be
23 21 transcribed onto the tax lists as required by section 443.2.

23 22 Sec. 34. Section 443.22, Code 2003, is amended to read as
23 23 follows:

23 24 443.22 UNIFORM ASSESSMENTS MANDATORY.

23 25 All assessors and assessing bodies, including the
23 26 department of revenue and finance having authority over the
23 27 listing of land and listing and assessment of ~~property~~
23 28 agricultural land and structures for tax purposes, shall
23 29 comply with sections 428.4, 428.29, 434.15, 438.13, 441.21,
23 30 and 441.45. The department of revenue and finance, having
23 31 authority over the listing and assessments, shall exercise its
23 32 powers and perform its duties under section 421.17 and other
23 33 applicable laws so as to require the uniform and consistent
23 34 application of ~~said that~~ section.

23 35 Sec. 35. NEW SECTION. 443A.1 LAND TAX.

24 1 Effective for the fiscal year beginning July 1, 2007, and
24 2 all subsequent fiscal years, a land tax shall be imposed
24 3 against each acre or portion of an acre of land in a county.

24 4 Sec. 36. NEW SECTION. 443A.2 APPORTIONMENT OF LAND TAX.

24 5 1. The land tax for each county shall be apportioned as
24 6 follows:

24 7 In the unincorporated area of the county, the land tax
24 8 shall be distributed to the county, the school district
24 9 located in the unincorporated area of the county, and other
24 10 taxing entities located in the unincorporated area of the
24 11 county in the same proportion that property taxes levied in
24 12 the unincorporated area of the county for the fiscal year
24 13 beginning July 1, 2006, were allocated to those entities.

24 14 In the incorporated areas of the county, the land tax shall
24 15 be distributed to the city, the county, each school district
24 16 located within the city, and other taxing entities located
24 17 within the city in the same proportion that property taxes
24 18 levied in the city for the fiscal year beginning July 1, 2006,
24 19 were allocated to those entities.

24 20 2. The city finance committee and the county finance
24 21 committee shall jointly determine the adjustments to be made
24 22 to the allocation of the land tax in the case of boundary
24 23 adjustments made to a taxing district on or after January 1,
24 24 2006.

24 25 3. After the auditor has computed the amount of land tax
24 26 to be distributed to each taxing district, the auditor shall
24 27 compute the rate of tax to be levied upon the square footage
24 28 valuation of structures pursuant to chapter 444.

24 29 Sec. 37. Section 444.1, Code 2003, is amended to read as
24 30 follows:

24 31 444.1 BASIS FOR AMOUNT OF TAX.

24 32 In all taxing districts in the state, including townships,
24 33 school districts, cities and counties, when by law then
24 34 existing the people are authorized to determine by vote, or
24 35 officers are authorized to estimate or determine, a rate of
25 1 taxation required for any public purpose, such rate shall in
25 2 all cases be estimated and based upon the amount of land tax
25 3 available to the district and the adjusted taxable square
25 4 footage valuation of such taxing district for the preceding

25 5 calendar year.

25 6 Sec. 38. Section 444.2, Code 2003, is amended to read as
25 7 follows:

25 8 444.2 AMOUNTS CERTIFIED IN DOLLARS.

25 9 When an authorized square footage tax rate within a taxing
25 10 district, including townships, school districts, cities and
25 11 counties, has been thus determined as provided by law, the
25 12 officer or officers charged with the duty of certifying the
25 13 authorized rate to the county auditor or board of supervisors
25 14 shall, before certifying the rate, compute upon the adjusted
25 15 taxable square footage valuation of the taxing district for
25 16 the preceding fiscal year, the amount of tax the rate will
25 17 raise, stated in dollars, and shall certify the computed
25 18 amount in dollars and not by rate, to the county auditor and
25 19 board of supervisors and shall further certify the percentage
25 20 of such amount to be levied against each class of property.

25 21 Sec. 39. Section 444.3, Code 2003, is amended to read as

25 22 follows:

25 23 444.3 COMPUTATION OF SQUARE FOOTAGE RATE.

25 24 When the square footage valuations for the several taxing
25 25 districts shall have been adjusted by the several boards for
25 26 the current year, and the amount of land tax to be distributed
25 27 to each taxing district has been deducted from the dollar

25 28 amounts certified in section 444.2 for each taxing district,

25 29 the county auditor shall thereupon apply such a rate, ~~not~~

25 30 ~~exceeding the rate authorized by law, or rates as will raise~~

25 31 the amount required for such taxing district, and when

25 32 combined with the land tax amount will raise an amount not

25 33 exceeding the dollar amount authorized by law for the taxing

25 34 district, and no will not raise a larger amount. For purposes

25 35 of computing the square footage rate under this section, the

26 1 adjusted taxable square footage valuation of the property of a

26 2 taxing district does not include the valuation of property of

26 3 a railway corporation or its trustee which corporation has

26 4 been declared bankrupt or is in bankruptcy proceedings.

26 5 Nothing in the preceding sentence exempts the property of such

26 6 railway corporation or its trustee from taxation and the rate

26 7 computed under this section shall be levied on the taxable

26 8 property of such railway corporation or its trustee.

26 9 The square footage tax rate shall be expressed in dollars

26 10 and cents per one hundred dollars of valuation per square

26 11 foot.

26 12 Sec. 40. NEW SECTION. 444.9 COMPUTATION OF TAX.

26 13 The amount of tax imposed on any taxable property is the

26 14 sum of the amounts computed in subsections 1 and 2.

26 15 1. LAND TAX. The product of the land tax rate times the

26 16 number of acres or portion of an acre of the taxable property.

26 17 2. SQUARE FOOTAGE TAX. The product of the square footage

26 18 tax rate times the valuation per square foot of the taxable

26 19 structure times the number of square feet of the taxable

26 20 structure. The square footage tax shall be computed

26 21 separately for each structure located on the land.

26 22 Sec. 41. PROPERTY TAX IMPLEMENTATION COMMITTEE.

26 23 1. On or before July 1, 2003, the department of revenue

26 24 and finance, in consultation with the department of

26 25 management, shall initiate and coordinate the establishment of

26 26 a property tax implementation committee and provide staffing

26 27 assistance to the committee. The property tax implementation

26 28 committee shall include four members of the general assembly,

26 29 one each appointed by the majority leader of the senate, the

26 30 speaker of the house of representatives, the minority leader

26 31 of the senate, and the minority leader of the house of

26 32 representatives. The committee shall also include members

26 33 appointed by the department of revenue and finance

26 34 representing the department of revenue and finance, the

26 35 department of management, counties, cities, school districts,

27 1 local assessors, commercial property taxpayers, industrial

27 2 property taxpayers, residential property taxpayers, and

27 3 agricultural property taxpayers, and other appropriate

27 4 stakeholders. The department may consider participation on

27 5 the committee of former state officials with expertise in

27 6 budget and tax policy. The chairpersons of the committee

27 7 shall be those members of the general assembly appointed by

27 8 the majority leader of the senate and the speaker of the house

27 9 of representatives.

27 10 2. The committee shall study and make recommendations

27 11 relating to the land tax, square footage tax, the baseline

27 12 assessment for the square footage tax, and other related

27 13 provisions. The committee shall also study and make

27 14 recommendations on issues relating to implementation of a land

27 15 tax and square footage tax, including, but not limited to,

27 16 whether or not maximum square footage rates and land tax rates

27 17 should be imposed and, if such rates are recommended, the

27 18 imposition of rates that have a revenue neutral impact on

27 19 classes of property, the property tax financing portion of the

27 20 school funding formula, treatment of current property tax

27 21 credits and exemptions under a land tax and square footage tax

27 22 and continued state reimbursement of any credits or

27 23 exemptions, implementation of urban revitalization and urban

27 24 renewal programs under the land tax and square footage tax,

27 25 implementation of a payment in lieu of taxes program for local

27 26 government services, and maintenance of equity among classes

27 27 of taxpayers and among taxpayers within the same class. The

27 28 property tax implementation committee shall also study the

27 29 role of property taxes in funding local government services

27 30 and the types of services currently funded by property taxes.

27 31 3. The property tax implementation committee shall direct

27 32 three counties and cities within those counties to submit data

27 33 as prescribed by the committee. The department of revenue and
 27 34 finance, in consultation with the department of management,
 27 35 shall select the three counties and the cities within those
 28 1 counties that will be required to provide data to the
 28 2 committee. The committee shall devise a system for testing
 28 3 the data, including the necessary computer hardware and
 28 4 software to allow the selected counties and cities to prepare
 28 5 projected budgets, to determine the rates for the land tax and
 28 6 the square footage tax for those projected budgets, and to
 28 7 provide a sampling of the effect on the various classes of
 28 8 property in those jurisdictions. The committee shall use the
 28 9 data and the results of the projections to resolve, and make
 28 10 recommendations relating to, the issues described in
 28 11 subsection 2, and related issues, in a revenue neutral manner
 28 12 that will not result in a shift of property tax burden between
 28 13 classes of property. The committee shall submit to the
 28 14 general assembly by October 31, 2003, October 31, 2004, and
 28 15 October 31, 2005, a report for each of those years resolving
 28 16 the issues in subsection 2 and other related issues for
 28 17 implementation of this Act. The reports shall include
 28 18 detailed estimates of the cost to the counties and cities of
 28 19 providing the data and an estimate of the cost of statewide
 28 20 implementation of this Act.

28 21 Sec. 42. EFFECTIVE AND APPLICABILITY DATES.

28 22 1. The section of this division of this Act establishing
 28 23 the property tax implementation committee, being deemed of
 28 24 immediate importance, takes effect upon enactment.

28 25 2. The remainder of this division of this Act takes effect
 28 26 July 1, 2005, and applies to assessment years beginning on or
 28 27 after January 1, 2006, and applies to tax collections for
 28 28 fiscal years beginning on or after July 1, 2007.

28 29 Sec. 43. FUTURE REPEAL. This division of this Act is
 28 30 repealed effective June 30, 2005.

28 31 DIVISION II

28 32 INDIVIDUAL INCOME TAX

28 33 2004=2006 TAX YEARS

28 34 Sec. 44. Section 422.5, subsection 1, paragraphs a through
 28 35 i, Code 2003, are amended to read as follows:

29 1 For tax years beginning
 29 2 in the calendar year:
 29 3 2004 2005 2006

29 4 a. On all taxable income from
 29 5 zero through one thousand dollars,
 29 6 ~~thirty-six hundredths of one~~
 29 7 ~~percent~~:35% .34% .32%

29 8 b. On all taxable income exceeding
 29 9 one thousand dollars but not
 29 10 exceeding two thousand dollars,
 29 11 ~~seventy-two hundredths of one~~
 29 12 ~~percent~~:70% .68% .65%

29 13 c. On all taxable income exceeding
 29 14 two thousand dollars but not
 29 15 exceeding four thousand dollars,
 29 16 ~~two and forty-three hundredths~~
 29 17 ~~percent~~: 2.36% 2.30% 2.19%

29 18 d. On all taxable income exceeding
 29 19 four thousand dollars but not
 29 20 exceeding nine thousand dollars,
 29 21 ~~four and one-half percent~~: 4.37% 4.27% 4.05%

29 22 e. On all taxable income exceeding
 29 23 nine thousand dollars but not
 29 24 exceeding fifteen thousand
 29 25 dollars, ~~six and twelve hundredths~~
 29 26 ~~percent~~: 5.94% 5.80% 5.51%

29 27 f. On all taxable income exceeding
 29 28 fifteen thousand dollars but not
 29 29 exceeding twenty thousand
 29 30 dollars, ~~six and forty-eight hundredths~~
 29 31 ~~percent~~: 6.29% 6.14% 5.84%

29 32 g. On all taxable income exceeding
 29 33 twenty thousand dollars but not
 29 34 exceeding thirty thousand
 29 35 dollars, ~~six and eight-tenths~~
 30 1 ~~percent~~: 6.60% 6.45% 6.13%

30 2 h. On all taxable income exceeding
 30 3 thirty thousand dollars but not
 30 4 exceeding forty-five thousand
 30 5 dollars, ~~seven and ninety-two hundredths~~
 30 6 ~~percent~~: 7.68% 7.51% 7.14%

30 7 i. On all taxable income exceeding
 30 8 forty-five thousand dollars, ~~eight~~

~~30 9 and ninety-eight hundredths~~
~~30 10 percent.: 8.71% 8.51% 8.09%~~

30 11 Sec. 45. EFFECTIVE AND APPLICABILITY DATE PROVISIONS.

30 12 This division of this Act takes effect January 1, 2004, for
30 13 tax years beginning on or after January 1, 2004, but before
30 14 January 1, 2007.

30 15 DIVISION III

30 16 INDIVIDUAL INCOME TAX

30 17 2007 AND SUBSEQUENT TAX YEARS

30 18 Sec. 46. Section 422.5, subsection 1, paragraphs a through
30 19 i, Code 2003, are amended to read as follows:

30 20 For tax years beginning
30 21 in the calendar year:
30 22 2007 and subsequent
30 23 calendar years

30 24 a. On all taxable income from
30 25 zero through one thousand dollars,

~~30 26 thirty-six hundredths of one~~
~~30 27 percent.:31%~~

30 28 b. On all taxable income exceeding
30 29 one thousand dollars but not
30 30 exceeding two thousand dollars,

~~30 31 seventy-two hundredths of one~~
~~30 32 percent.:62%~~

30 33 c. On all taxable income exceeding
30 34 two thousand dollars but not
30 35 exceeding four thousand dollars,

~~31 1 two and forty-three hundredths~~
~~31 2 percent.: 2.09%~~

31 3 d. On all taxable income exceeding
31 4 four thousand dollars but not
31 5 exceeding nine thousand dollars,

~~31 6 four and one-half percent.: 3.87%~~

31 7 e. On all taxable income exceeding
31 8 nine thousand dollars but not
31 9 exceeding fifteen thousand
31 10 dollars,

~~31 11 six and twelve hundredths~~
~~31 12 percent.: 5.26%~~

31 13 f. On all taxable income exceeding
31 14 fifteen thousand dollars but not
31 15 exceeding twenty thousand
31 16 dollars,

~~31 17 six and forty-eight hundredths~~
~~31 18 percent.: 5.57%~~

31 19 g. On all taxable income exceeding
31 20 twenty thousand dollars but not
31 21 exceeding thirty thousand
31 22 dollars,

~~31 23 six and eight-tenths~~
~~31 24 percent.: 5.84%~~

31 25 h. On all taxable income exceeding
31 26 thirty thousand dollars but not
31 27 exceeding forty-five thousand
31 28 dollars,

~~31 29 seven and ninety-two hundredths~~
~~31 30 percent.: 6.80%~~

31 31 i. On all taxable income exceeding
31 32 forty-five thousand dollars,

~~31 33 eight~~
~~31 34 and ninety-eight hundredths~~
~~31 35 percent.: 7.71%~~

31 36 Sec. 47. EFFECTIVE AND APPLICABILITY DATE PROVISIONS.

31 37 This division of this Act takes effect January 1, 2007, for
31 38 tax years beginning on or after January 1, 2007.

31 39 DIVISION IV

31 40 INDIVIDUAL INCOME TAX

32 1 2007 AND SUBSEQUENT TAX YEARS

32 2 Sec. 48. Section 422.4, subsection 1, paragraphs b and c,
32 3 Code 2003, are amended to read as follows:

32 4 b. "Cumulative inflation factor" means the product of the
32 5 annual inflation factor for the ~~1988~~ 2007 calendar year and
32 6 all annual inflation factors for subsequent calendar years as
32 7 determined pursuant to this subsection. The cumulative
32 8 inflation factor applies to all tax years beginning on or
32 9 after January 1 of the calendar year for which the latest
32 10 annual inflation factor has been determined.

32 11 c. The annual inflation factor for the ~~1988~~ 2007 calendar
32 12 year is one hundred percent.

32 13 Sec. 49. Section 422.4, subsection 16, Code 2003, is
32 14 amended to read as follows:

32 15 16. ~~The words "taxable"~~ "Taxable income" ~~mean~~ means the net
32 16 income as defined in section 422.7 minus the deductions
32 17 allowed by section 422.9, in the case of individuals, ~~in.~~ In
32 18 the case of estates or trusts, ~~the words "taxable income" mean~~
32 19 means the taxable income, ~~(without a deduction for personal~~

32 20 exemption¹, as computed for federal income tax purposes under
32 21 the Internal Revenue Code, but with the adjustments specified
32 22 in section 422.7 plus the Iowa income tax deducted in
~~32 23 computing the federal taxable income and minus federal income~~
~~32 24 taxes as provided in section 422.9.~~
32 25 Sec. 50. Section 422.5, subsection 1, Code 2003, as
32 26 amended by 2003 Iowa Acts, Senate File 442, section 4, is
32 27 amended by striking the subsection and inserting in lieu
32 28 thereof the following:
32 29 1. a. A tax is imposed upon every resident and
32 30 nonresident of the state which tax shall be levied, collected,
32 31 and paid annually upon and with respect to the entire taxable
32 32 income at rates as follows:
32 33 (1) On all taxable income from zero through eight thousand
32 34 dollars, one and eighty-five hundredths percent.
32 35 (2) On all taxable income exceeding eight thousand dollars
33 1 but not exceeding one hundred thousand dollars, four and
33 2 seventy-five hundredths percent.
33 3 (3) On all taxable income exceeding one hundred thousand
33 4 dollars, four and ninety-nine hundredths percent.
33 5 b. (1) The tax imposed upon the taxable income of a
33 6 nonresident shall be computed by reducing the amount
33 7 determined pursuant to paragraph "a" by the amounts of
33 8 nonrefundable credits under this division and by multiplying
33 9 this resulting amount by a fraction of which the nonresident's
33 10 net income allocated to Iowa, as determined in section 422.8,
33 11 subsection 2, paragraph "a", is the numerator and the
33 12 nonresident's total net income computed under section 422.7 is
33 13 the denominator. This provision also applies to individuals
33 14 who are residents of Iowa for less than the entire tax year.
33 15 (2) The tax imposed upon the taxable income of a resident
33 16 shareholder in an S corporation which has in effect for the
33 17 tax year an election under subchapter S of the Internal
33 18 Revenue Code and carries on business within and without the
33 19 state may be computed by reducing the amount determined
33 20 pursuant to paragraph "a" by the amounts of nonrefundable
33 21 credits under this division and by multiplying this resulting
33 22 amount by a fraction of which the resident's net income
33 23 allocated to Iowa, as determined in section 422.8, subsection
33 24 2, paragraph "b", is the numerator and the resident's total
33 25 net income computed under section 422.7 is the denominator.
33 26 If a resident shareholder has elected to take advantage of
33 27 this subparagraph, and for the next tax year elects not to
33 28 take advantage of this subparagraph, the resident shareholder
33 29 shall not reelect to take advantage of this subparagraph for
33 30 the three tax years immediately following the first tax year
33 31 for which the shareholder elected not to take advantage of
33 32 this subparagraph, unless the director consents to the
33 33 reelection. This subparagraph also applies to individuals who
33 34 are residents of Iowa for less than the entire tax year.
33 35 Sec. 51. Section 422.5, subsection 2, Code 2003, is
34 1 amended by striking the subsection and inserting in lieu
34 2 thereof the following:
34 3 2. a. However, if the married persons' filing jointly or
34 4 separately on a combined return, unmarried head of
34 5 household's, or surviving spouse's net income exceeds thirteen
34 6 thousand five hundred dollars or nine thousand dollars in the
34 7 case of all other persons, the regular tax imposed under this
34 8 division shall be the lesser of the product of eight percent
34 9 times the portion of the net income in excess of thirteen
34 10 thousand five hundred dollars or nine thousand dollars, as
34 11 applicable, or the regular tax liability computed without
34 12 regard to this paragraph.
34 13 b. Paragraph "a" does not apply to estates and trusts.
34 14 Married taxpayers electing to file separately shall compute
34 15 the alternate tax described in paragraph "a" using the total
34 16 net income of the husband and wife. The alternate tax
34 17 described in paragraph "a" does not apply if one spouse elects
34 18 to carry back or carry forward the loss as provided in section
34 19 422.9, subsection 3. A person who is claimed as a dependent
34 20 by another person as defined in section 422.12 shall not
34 21 receive the benefit of paragraph "a" if the person claiming
34 22 the dependent has net income exceeding thirteen thousand five
34 23 hundred dollars or nine thousand dollars as applicable or the
34 24 person claiming the dependent and the person's spouse have
34 25 combined net income exceeding thirteen thousand five hundred
34 26 dollars or nine thousand dollars as applicable.
34 27 Sec. 52. Section 422.5, subsection 5, Code 2003, is
34 28 amended to read as follows:
34 29 5. Upon determination of the latest cumulative inflation
34 30 factor, the director shall multiply each dollar amount set

34 31 forth in subsection 1, ~~paragraphs "a" through "i" of this~~
~~34 32 section paragraph "a"~~, by this cumulative inflation factor,
34 33 shall round off the resulting product to the nearest one
34 34 dollar, and shall incorporate the result into the income tax
34 35 forms and instructions for each tax year.

35 1 Sec. 53. Section 422.5, subsection 7, Code 2003, is
35 2 amended by striking the subsection.

35 3 Sec. 54. Section 422.7, Code 2003, as amended by 2003 Iowa
35 4 Acts, Senate File 442, section 5, and House File 674, sections
35 5 5 and 6, is amended by striking the section and inserting in
35 6 lieu thereof the following:

35 7 422.7 "NET INCOME" == HOW COMPUTED.

35 8 The term "net income" means the adjusted gross income
35 9 before the net operating loss deduction as properly computed
35 10 for federal income tax purposes under the Internal Revenue
35 11 Code, with the following adjustments:

35 12 1. The adjusted gross income is adjusted by adding the sum
35 13 of the following:

35 14 a. Add the amount of federal income tax refunds received
35 15 in a tax year beginning on or after January 1, 2007, but
35 16 before January 1, 2010, to the extent that the federal income
35 17 tax was deducted on an Iowa individual income tax return for a
35 18 tax year beginning prior to January 1, 2007.

35 19 b. Add interest and dividends from foreign securities and
35 20 from securities of state and other political subdivisions
35 21 exempt from federal income tax under the Internal Revenue
35 22 Code.

35 23 c. Add interest and dividends from regulated investment
35 24 companies exempt from federal income tax under the Internal
35 25 Revenue Code.

35 26 d. Add, to the extent not already included, income from
35 27 the sale of obligations of the state and its political
35 28 subdivisions. Income from the sale of these obligations is
35 29 exempt from the taxes imposed by this division only if the law
35 30 authorizing these obligations specifically exempts the income
35 31 from the sale from the state individual income tax.

35 32 e. Add the amount resulting from the cancellation of a
35 33 participation agreement refunded to the taxpayer as a
35 34 participant in the Iowa educational savings plan trust under
35 35 chapter 12D to the extent previously deducted as a
36 1 contribution to the trust.

36 2 2. The adjusted gross income is adjusted by subtracting
36 3 the sum of the following:

36 4 a. Subtract the amount of federal income taxes paid or
36 5 accrued, as the case may be, in a tax year beginning on or
36 6 after January 1, 2007, but before January 1, 2010, to the
36 7 extent the federal tax payment is for a tax year beginning
36 8 prior to January 1, 2007.

36 9 b. Subtract interest and dividends from federal
36 10 securities.

36 11 c. Subtract the loss on the sale or exchange of a share of
36 12 a regulated investment company held for six months or less to
36 13 the extent the loss was disallowed under section 852(b)(4)(B)
36 14 of the Internal Revenue Code.

36 15 d. (1) Subtract, to the extent included, the amount of
36 16 additional social security benefits taxable under the Internal
36 17 Revenue Code for tax years beginning on or after January 1,
36 18 1994. The amount of social security benefits taxable as
36 19 provided in section 86 of the Internal Revenue Code, as
36 20 amended up to and including January 1, 1993, continues to
36 21 apply for state income tax purposes for tax years beginning on
36 22 or after January 1, 1994.

36 23 (2) Married taxpayers, who file a joint federal income tax
36 24 return and who elect to file separate returns or who elect
36 25 separate filing on a combined return for state income tax
36 26 purposes, shall allocate between the spouses the amount of
36 27 benefits subtracted under subparagraph (1) from net income in
36 28 the ratio of the social security benefits received by each
36 29 spouse to the total of these benefits received by both
36 30 spouses.

36 31 e. (1) For a person who is disabled, or is fifty-five
36 32 years of age or older, or is the surviving spouse of an
36 33 individual or a survivor having an insurable interest in an
36 34 individual who would have qualified for the exemption under
36 35 this paragraph for the tax year, subtract, to the extent
37 1 included, the total amount of a governmental or other pension
37 2 or retirement pay, including, but not limited to, defined
37 3 benefit or defined contribution plans, annuities, individual
37 4 retirement accounts, plans maintained or contributed to by an
37 5 employer, or maintained or contributed to by a self-employed
37 6 person as an employer, and deferred compensation plans or any

37 7 earnings attributable to the deferred compensation plans, up
37 8 to a maximum of six thousand dollars for a person, other than
37 9 a husband or wife, who files a separate state income tax
37 10 return and up to a maximum of twelve thousand dollars for a
37 11 husband and wife who file a joint state income tax return.
37 12 (2) However, a surviving spouse who is not disabled or
37 13 fifty-five years of age or older can only exclude the amount
37 14 of pension or retirement pay received as a result of the death
37 15 of the other spouse. A husband and wife filing separate state
37 16 income tax returns or separately on a combined return are
37 17 allowed a combined maximum exclusion under this paragraph "e"
37 18 of up to the amount allowed for a husband and wife who file a
37 19 joint state income tax return. The exclusion shall be
37 20 allocated to the husband or wife in the proportion that each
37 21 spouse's respective pension and retirement pay received bears
37 22 to total combined pension and retirement pay received.
37 23 f. Notwithstanding the method for computing income from an
37 24 installment sale under section 453 of the Internal Revenue
37 25 Code, as defined in section 422.3, the method to be used in
37 26 computing income from an installment sale shall be the method
37 27 under section 453 of the Internal Revenue Code, as amended up
37 28 to and including January 1, 2000. A taxpayer affected by this
37 29 paragraph shall make adjustments in the adjusted gross income
37 30 pursuant to rules adopted by the director.
37 31 The adjustment to net income provided in this paragraph "f"
37 32 is repealed for tax years beginning on or after January 1,
37 33 2002. However, to the extent that a taxpayer using the
37 34 accrual method of accounting reported the entire capital gain
37 35 from the sale or exchange of property on the Iowa return for
38 1 the tax year beginning in the 2001 calendar year and the
38 2 capital gain was reported on the installment method on the
38 3 federal income tax return, any additional installment from the
38 4 capital gain reported for federal income tax purposes is not
38 5 to be included in net income in tax years beginning on or
38 6 after January 1, 2002.
38 7 g. Subtract, if the taxpayer is the owner of an individual
38 8 development account certified under chapter 541A at any time
38 9 during the tax year, all of the following:
38 10 (1) Contributions made to the account by persons and
38 11 entities, other than the taxpayer, as authorized in chapter
38 12 541A.
38 13 (2) The amount of any savings refund authorized under
38 14 section 541A.3, subsection 1.
38 15 (3) Earnings from the account.
38 16 h. (1) Subtract the maximum contribution that may be
38 17 deducted for income tax purposes as a participant in the Iowa
38 18 educational savings plan trust pursuant to section 12D.3,
38 19 subsection 1, paragraph "a".
38 20 (2) Subtract, to the extent included, income from interest
38 21 and earnings received from the Iowa educational savings plan
38 22 trust created in chapter 12D.
38 23 (3) Subtract, to the extent not deducted for federal
38 24 income tax purposes, the amount of any gift, grant, or
38 25 donation made to the Iowa educational savings plan trust for
38 26 deposit in the endowment fund of that trust.
38 27 i. Subtract, to the extent included, active duty pay
38 28 received by a person in the national guard or armed forces
38 29 military reserve for services performed on or after August 2,
38 30 1990, pursuant to military orders related to the Persian Gulf
38 31 Conflict.
38 32 j. Subtract, to the extent included, active duty pay
38 33 received by a person in the national guard or armed forces
38 34 military reserve for service performed on or after November
38 35 21, 1995, pursuant to military orders related to peacekeeping
39 1 in Bosnia=Herzegovina.
39 2 k. Subtract, to the extent included, the following:
39 3 (1) Payments made to the taxpayer because of the
39 4 taxpayer's status as a victim of persecution for racial,
39 5 ethnic, or religious reasons by Nazi Germany or any other Axis
39 6 regime or as an heir of such victim.
39 7 (2) Items of income attributable to, derived from, or in
39 8 any way related to assets stolen from, hidden from, or
39 9 otherwise lost to a victim of persecution for racial, ethnic,
39 10 or religious reasons by Nazi Germany or any other Axis regime
39 11 immediately prior to, during, and immediately after World War
39 12 II, including, but not limited to, interest on the proceeds
39 13 receivable as insurance under policies issued to a victim of
39 14 persecution for racial, ethnic, or religious reasons by Nazi
39 15 Germany or any other Axis regime by European insurance
39 16 companies immediately prior to and during World War II.
39 17 However, income from assets acquired with such assets or with

39 18 the proceeds from the sale of such assets shall not be
39 19 subtracted. This subparagraph shall only apply to a taxpayer
39 20 who was the first recipient of such assets after recovery of
39 21 the assets and who is a victim of persecution for racial,
39 22 ethnic, or religious reasons by Nazi Germany or any other Axis
39 23 regime or is an heir of such victim.

39 24 1. Subtract, to the extent included, active duty pay
39 25 received by a person in the national guard or armed forces
39 26 military reserve for service performed on or after January 1,
39 27 2003, pursuant to military orders related to Operation Iraqi
39 28 Freedom, Operation Noble Eagle, and Operation Enduring
39 29 Freedom.

39 30 m. Subtract, not to exceed one thousand five hundred
39 31 dollars, the overnight transportation, meals, and lodging
39 32 expenses, to the extent not reimbursed, incurred by the
39 33 taxpayer for travel away from home of more than one hundred
39 34 miles for the performance of services by the taxpayer as a
39 35 member of the national guard or armed forces military reserve.

40 1 n. Subtract, to the extent included, military student loan
40 2 repayments received by the taxpayer serving on active duty in
40 3 the national guard or armed forces military reserve or on
40 4 active duty status in the armed forces.

40 5 o. Subtract, to the extent not otherwise excluded, the
40 6 amount of the death gratuity payable under 10 U.S.C. } 1475=
40 7 1491 for deaths occurring after September 10, 2001.

40 8 3. a. In determining the amount of federal income tax
40 9 refunds or taxes paid or accrued under subsection 1 or 2, for
40 10 tax years beginning in the 2001 calendar year, the amount
40 11 shall not be adjusted by the amount received during the tax
40 12 year of the advanced refund of the rate reduction tax credit
40 13 provided pursuant to the federal Economic Growth and Tax
40 14 Relief Reconciliation Act of 2001, Pub. L. No. 107=16, and the
40 15 advanced refund of such credit shall not be subject to
40 16 taxation under this division.

40 17 b. In determining the amount of federal income tax refunds
40 18 or taxes paid or accrued under subsection 1 or 2, for tax
40 19 years beginning in the 2002 calendar year, the amount shall
40 20 not be adjusted by the amount of the rate reduction credit
40 21 received during the tax year to the extent that the credit is
40 22 attributable to the rate reduction credit provided pursuant to
40 23 the federal Economic Growth and Tax Relief Reconciliation Act
40 24 of 2001, Pub. L. No. 107=16, and the amount of such credit
40 25 shall not be taxable under this division.

40 26 4. The additional first-year depreciation allowance
40 27 authorized in section 168(k) of the Internal Revenue Code, as
40 28 enacted by Pub. L. No. 107=147, section 101, does not apply in
40 29 computing net income for state tax purposes. If the taxpayer
40 30 has taken such deduction in computing federal adjusted gross
40 31 income, the following adjustments shall be made:

40 32 a. Add the total amount of depreciation taken on all
40 33 property for which the election under section 168(k) of the
40 34 Internal Revenue Code was made for the tax year.

40 35 b. Subtract an amount equal to depreciation taken on such
41 1 property for the tax year using the modified accelerated cost
41 2 recovery system depreciation method applicable under section
41 3 168 of the Internal Revenue Code without regard to section
41 4 168(k).

41 5 c. Any other adjustments to gains or losses to reflect the
41 6 adjustments made in paragraphs "a" and "b" pursuant to rules
41 7 adopted by the director.

41 8 Sec. 55. Section 422.8, subsection 2, paragraph a, Code
41 9 2003, is amended to read as follows:

41 10 a. Nonresident's net income allocated to Iowa is the net
41 11 income, or portion of net income, which is derived from a
41 12 business, trade, profession, or occupation carried on within
41 13 this state or income from any property, trust, estate, or
41 14 other source within Iowa. However, income derived from a
41 15 business, trade, profession, or occupation carried on within
41 16 this state and income from any property, trust, estate, or
41 17 other source within Iowa shall not include distributions from
41 18 pensions, including defined benefit or defined contribution
41 19 plans, annuities, individual retirement accounts, and deferred
41 20 compensation plans or any earnings attributable thereto so
41 21 long as the distribution is directly related to an
41 22 individual's documented retirement and received while the
41 23 individual is a nonresident of this state. If a business,
41 24 trade, profession, or occupation is carried on partly within
41 25 and partly without the state, only the portion of the net
41 26 income which is fairly and equitably attributable to that part
41 27 of the business, trade, profession, or occupation carried on
41 28 within the state is allocated to Iowa for purposes of section

41 29 422.5, subsection 1, paragraph ~~"j"~~ "b", and section 422.13 and
41 30 income from any property, trust, estate, or other source
41 31 partly within and partly without the state is allocated to
41 32 Iowa in the same manner, except that annuities, interest on
41 33 bank deposits and interest-bearing obligations, and dividends
41 34 are allocated to Iowa only to the extent to which they are
41 35 derived from a business, trade, profession, or occupation
42 1 carried on within the state.
42 2 Sec. 56. Section 422.8, subsection 4, Code 2003, is
42 3 amended by striking the subsection.
42 4 Sec. 57. Section 422.9, subsection 1, Code 2003, is
42 5 amended to read as follows:
42 6 1. An optional standard deduction, ~~after deduction of~~
42 7 ~~federal income tax~~, equal to one thousand two hundred thirty
42 8 dollars for a married person who files separately or a single
42 9 person or equal to three thousand thirty dollars for a husband
42 10 and wife who file a joint return, a surviving spouse, or an
42 11 unmarried head of household. ~~The optional standard deduction~~
42 12 ~~shall not exceed the amount remaining after deduction of the~~
42 13 ~~federal income tax.~~
42 14 Sec. 58. Section 422.9, subsection 2, paragraph b, Code
42 15 2003, is amended by striking the paragraph.
42 16 Sec. 59. Section 422.9, subsections 6 and 7, Code 2003,
42 17 are amended by striking the subsections.
42 18 Sec. 60. Section 422.11B, subsection 1, Code 2003, is
42 19 amended to read as follows:
42 20 1. There is allowed as a credit against the tax determined
42 21 in section 422.5, subsection 1, paragraphs "a" through "j" for
42 22 a tax year an amount equal to the minimum tax credit for that
42 23 tax year.
42 24 The minimum tax credit for a tax year is the excess, if
42 25 any, of the adjusted net minimum tax imposed for all prior tax
42 26 years beginning on or after January 1, 1987, but before
42 27 January 1, 2007, over the amount allowable as a credit under
42 28 this section for those prior tax years.
42 29 If a minimum tax credit is available to a tax period
42 30 beginning on or after January 1, 2007, the credit can be
42 31 carried over to tax years beginning on or after January 1,
42 32 2007, but before January 1, 2010. The minimum tax credit is
42 33 limited to the tax determined in section 422.5, subsection 1,
42 34 paragraphs "a" and "b".
42 35 Sec. 61. Section 422.13, subsection 1, paragraph c, and
43 1 subsection 1A, Code 2003, are amended to read as follows:
43 2 c. However, if that part of the net income of a
43 3 nonresident which is allocated to Iowa pursuant to section
43 4 422.8, subsection 2, is less than one thousand dollars the
43 5 nonresident is not required to make and sign a return ~~except~~
43 6 ~~when the nonresident is subject to the state alternative~~
43 7 ~~minimum tax imposed pursuant to section 422.5, subsection 1,~~
43 8 ~~paragraph "k".~~
43 9 1A. Notwithstanding any other provision in this section, a
43 10 resident of this state is not required to make and file a
43 11 return if the person's net income is equal to or less than the
43 12 appropriate dollar amount listed in section 422.5, subsection
43 13 2, upon which tax is not imposed. A nonresident of this state
43 14 is not required to make and file a return if the person's
43 15 total net income in section 422.5, subsection 1, paragraph
43 16 ~~"j", "b"~~, is equal to or less than the appropriate dollar
43 17 amount provided in section 422.5, subsection 2, upon which tax
43 18 is not imposed. For purposes of this subsection, the amount
43 19 of a lump sum distribution subject to separate federal tax
43 20 shall be included in net income for purposes of determining if
43 21 a resident is required to file a return and the portion of the
43 22 lump sum distribution that is allocable to Iowa is included in
43 23 total net income for purposes of determining if a nonresident
43 24 is required to make and file a return.
43 25 Sec. 62. Section 422.21, unnumbered paragraph 5, Code
43 26 2003, is amended to read as follows:
43 27 The director shall determine for the ~~1989~~ 2008 and each
43 28 subsequent calendar year the annual and cumulative inflation
43 29 factors for each calendar year to be applied to tax years
43 30 beginning on or after January 1 of that calendar year. The
43 31 director shall compute the new dollar amounts as specified to
43 32 be adjusted in section 422.5 by the latest cumulative
43 33 inflation factor and round off the result to the nearest one
43 34 dollar. The annual and cumulative inflation factors
43 35 determined by the director are not rules as defined in section
44 1 17A.2, subsection 11. The director shall determine for the
44 2 1990 calendar year and each subsequent calendar year the
44 3 annual and cumulative standard deduction factors to be applied
44 4 to tax years beginning on or after January 1 of that calendar

44 5 year. The director shall compute the new dollar amounts of
44 6 the standard deductions specified in section 422.9, subsection
44 7 1, by the latest cumulative standard deduction factor and
44 8 round off the result to the nearest ten dollars. The annual
44 9 and cumulative standard deduction factors determined by the
44 10 director are not rules as defined in section 17A.2, subsection
44 11 11.

44 12 Sec. 63. Section 422.11B, Code 2003, is repealed.

44 13 COORDINATING AMENDMENTS

44 14 Sec. 64. Section 12D.9, subsection 2, Code 2003, is
44 15 amended to read as follows:

44 16 2. State income tax treatment of the Iowa educational
44 17 savings plan trust shall be as provided in section 422.7,
44 18 ~~subsections 32, 33, and 34~~ subsection 1, paragraph "e", and
44 19 subsection 2, paragraph "h", and section 422.35, subsection
44 20 14.

44 21 Sec. 65. Section 217.39, Code 2003, is amended to read as
44 22 follows:

44 23 217.39 PERSECUTED VICTIMS OF WORLD WAR II == REPARATIONS
44 24 == HEIRS.

44 25 Notwithstanding any other law of this state, payments paid
44 26 to and income from lost property of a victim of persecution
44 27 for racial, ethnic, or religious reasons by Nazi Germany or
44 28 any other Axis regime or as an heir of such victim which is
44 29 exempt from state income tax as provided in section 422.7,
44 30 ~~subsection 35 2, paragraph "k",~~ shall not be considered as
44 31 income or an asset for determining the eligibility for state
44 32 or local government benefit or entitlement programs. The
44 33 proceeds are not subject to recoupment for the receipt of
44 34 governmental benefits or entitlements, and liens, except liens
44 35 for child support, are not enforceable against these sums for
45 1 any reason.

45 2 Sec. 66. Section 422.120, subsection 1, paragraph b,
45 3 subparagraph (3), Code 2003, is amended to read as follows:

45 4 (3) The annual index factor for the 1997 calendar year is
45 5 one hundred percent. ~~For each subsequent the 1998 through~~
45 6 ~~2006 calendar year years,~~ the annual index factor equals the
45 7 annual inflation factor for that calendar year as computed in
45 8 section 422.4 for purposes of the individual income tax. ~~For~~
45 9 ~~the 2007 calendar year and each subsequent calendar year the~~
45 10 ~~annual index factor shall be determined by the department by~~
45 11 ~~October 15 of the calendar year preceding the calendar year~~
45 12 ~~for which the factor is determined, which reflects the~~
45 13 ~~purchasing power of the dollar as a result of inflation during~~
45 14 ~~the fiscal year ending in the calendar year preceding the~~
45 15 ~~calendar year for which the factor is determined. In~~
45 16 ~~determining the annual index factor, the department shall use~~
45 17 ~~the annual percent change, but not less than zero percent, in~~
45 18 ~~the gross domestic product price deflator computed for the~~
45 19 ~~second quarter of the calendar year by the bureau of economic~~
45 20 ~~analysis of the United States department of commerce and shall~~
45 21 ~~add all of that percent change to one hundred percent. The~~
45 22 ~~annual index factor and the cumulative index factor shall each~~
45 23 ~~be expressed as a percentage rounded to the nearest one-tenth~~
45 24 ~~of one percent. The annual index factor shall not be less~~
45 25 ~~than one hundred percent.~~

45 26 Sec. 67. Section 425.23, subsection 4, paragraph b, Code
45 27 2003, is amended to read as follows:

45 28 b. The annual adjustment factor for the 1998 base year is
45 29 one hundred percent. ~~For each subsequent the 1999 through~~
45 30 ~~2006 base year years,~~ the annual adjustment factor equals the
45 31 annual inflation factor for the calendar year, in which the
45 32 base year begins, as computed in section 422.4 for purposes of
45 33 the individual income tax. ~~For the 2007 base year and each~~
45 34 ~~subsequent base year, the annual adjustment factor equals the~~
45 35 ~~annual index factor, in which the base year begins, as~~
46 1 ~~computed in section 422.120, subsection 1, for purposes of the~~
46 2 ~~livestock production tax credit.~~

46 3 Sec. 68. Section 450.4, subsection 8, Code 2003, is
46 4 amended to read as follows:

46 5 8. On the value of that portion of any lump sum or
46 6 installment payments which are received by a beneficiary under
46 7 an annuity which was purchased under an employee's pension or
46 8 retirement plan which was excluded from net income ~~as set~~
46 9 ~~forth in under section 422.7, subsection 31.~~

46 10 Sec. 69. Section 541A.2, subsection 7, unnumbered
46 11 paragraph 1, Code 2003, is amended to read as follows:

46 12 An individual development account closed in accordance with
46 13 this subsection is not subject to the limitations and benefits
46 14 provided by this chapter but is subject to state tax in
46 15 accordance with the provisions of section 422.7, subsection 20

46 16 2. paragraph "g", and section 450.4, subsection 6. An
46 17 individual development account may be closed for any of the
46 18 following reasons:

46 19 Sec. 70. Section 541A.3, subsection 2, Code 2003, is
46 20 amended to read as follows:

46 21 2. Income earned by an individual development account is
46 22 not subject to state tax, in accordance with the provisions of
46 23 section 422.7, subsection ~~28~~ 2, paragraph "g".

46 24 Sec. 71. Division III of this Act is repealed.

46 25 CONTINGENT EFFECTIVE AND APPLICABILITY DATE PROVISION

46 26 Sec. 72.

46 27 1. This division of this Act takes effect upon
46 28 ratification prior to January 1, 2007, of an amendment to the
46 29 Constitution of the State of Iowa requiring a three-fifths
46 30 majority vote of each house of the general assembly in order
46 31 to pass a bill that amends the state individual income tax by
46 32 raising the rate or rates of the individual income tax or of
46 33 an amendment to the Constitution of the State of Iowa
46 34 requiring a statewide referendum in order to approve a bill
46 35 that amends the state individual income tax by raising the
47 1 rate or rates of the individual income tax.

47 2 2. If this division of this Act takes effect as provided
47 3 in subsection 1, this division of this Act, except as provided
47 4 in subsection 3, applies to tax years beginning on or after
47 5 January 1, 2007.

47 6 3. The section of this division of this Act repealing
47 7 section 422.11B applies to tax years beginning on or after
47 8 January 1, 2010.

47 9 DIVISION V

47 10 SALES AND USE TAX STUDIES

47 11 Sec. 73. INDUSTRIAL PROCESSING EXEMPTION STUDY COMMITTEE.

47 12 On or before July 1, 2003, the department of revenue and
47 13 finance shall initiate and coordinate the establishment of an
47 14 industrial processing exemption study committee and provide
47 15 staffing assistance to the committee. It is the intent of the
47 16 general assembly that the committee shall include
47 17 representatives of the department of revenue and finance,
47 18 department of management, industrial producers including
47 19 manufacturers, fabricators, printers and publishers, and an
47 20 association that specifically represents business tax issues,
47 21 and other stakeholders.

47 22 The industrial processing exemption under the sales and use
47 23 tax is a significant exemption for business. The committee
47 24 shall study and make legislative and administrative
47 25 recommendations relating to Iowa's processing exemption to
47 26 ensure maximum utilization by Iowa's industries.

47 27 The committee shall study and make recommendations
47 28 regarding all of the following:

47 29 1. The current sales and use tax industrial processing
47 30 exemption.

47 31 2. The corresponding administrative rules, including a
47 32 review and recommendation of an administrative rules process
47 33 relating to the industrial processing exemption prior to
47 34 filing with the administrative rules review committee.

47 35 3. Other states' industrial processing exemptions.

48 1 4. Recommendations for change for issues including
48 2 effectiveness and competitiveness.

48 3 5. Development of additional publications to improve
48 4 compliance.

48 5 The committee shall annually report to the general assembly
48 6 by January 1 of each year through January 1, 2013.

48 7 Sec. 74. IOWA SALES, SERVICES, AND USE TAX STUDY

48 8 COMMITTEE. On or before July 1, 2003, the department of
48 9 revenue and finance shall initiate and coordinate the

48 10 establishment of a state sales, services, and use tax study
48 11 committee and provide staffing assistance to the committee.

48 12 It is the intent of the general assembly that the committee
48 13 shall include representatives of the department of revenue and
48 14 finance, department of management, an association of Iowa
48 15 farmers and other agricultural interests, retail associations,
48 16 contractors, taxpayers, an association that specifically
48 17 represents business tax issues, and other stakeholders, two
48 18 members of the general assembly, and a representative of the
48 19 governor's office.

48 20 The committee shall study the current sales, services, and
48 21 use tax law. Programs funded through special features of the
48 22 tax code often escape regular review. It is intended that the
48 23 study committee shall review the current sales, services, and
48 24 use tax exemptions to improve government accountability.

48 25 The committee shall study and make recommendations
48 26 regarding all of the following:

48 27 1. Retaining or eliminating current sales, services, and
48 28 use tax exemptions or providing new exemptions. Such
48 29 decisions shall be based at least partially on the issues of
48 30 effectiveness and competitiveness and their impact on economic
48 31 behavior.

48 32 2. Tax simplification and consistency issues in applying
48 33 the tax, including recordkeeping burdens on retailers and
48 34 application by the department of revenue and finance.

48 35 3. Streamlining sales tax implementation in Iowa.

49 1 4. The tax rate.

49 2 5. Comparison of Iowa sales, services, and use tax
49 3 structure with other states.

49 4 The committee shall report to the general assembly by
49 5 January 1, 2004. The report shall provide rationale for each
49 6 decision made by the study committee.

49 7 Sec. 75. EFFECTIVE DATE. This division of this Act, being
49 8 deemed of immediate importance, takes effect July 1, 2003.

49 9 DIVISION VI

49 10 GROW IOWA VALUES BOARD AND FUND

49 11 Sec. 76. Section 15.108, subsection 9, Code 2003, is
49 12 amended by adding the following new paragraph:
49 13 NEW PARAGRAPH. g. Administer the marketing strategy
49 14 selected pursuant to section 15G.108.

49 15 Sec. 77. NEW SECTION. 15G.101 DEFINITIONS.

49 16 As used in this chapter, unless the context otherwise
49 17 requires:

49 18 1. "Board" means the grow Iowa values board established in
49 19 section 15G.102.

49 20 2. "Department" means the Iowa department of economic
49 21 development created in section 15.105.

49 22 3. "Director" means the director of the department of
49 23 economic development.

49 24 4. "Fund" means the grow Iowa values fund created in
49 25 section 15G.107.

49 26 5. "Grow Iowa values geographic regions" means the
49 27 geographic regions defined in section 15G.105.

49 28 Sec. 78. NEW SECTION. 15G.102 GROW IOWA VALUES BOARD.

49 29 1. The grow Iowa values board is established consisting of
49 30 eleven voting members and four ex officio, nonvoting members.
49 31 The grow Iowa values board shall be located for administrative
49 32 purposes within the department and the director shall provide
49 33 office space, staff assistance, and necessary supplies and
49 34 equipment for the board. The director shall budget moneys to
49 35 pay the compensation and expenses of the board. In performing
50 1 its functions, the board is performing a public function on
50 2 behalf of the state and is a public instrumentality of the
50 3 state.

50 4 2. a. The eleven voting members of the board shall be
50 5 appointed by the governor, subject to confirmation by the
50 6 senate.

50 7 b. The four ex officio, nonvoting members shall be
50 8 appointed as follows:

50 9 (1) One member appointed by the president of the senate.
50 10 (2) One member appointed by the minority leader of the
50 11 senate.

50 12 (3) One member appointed by the speaker of the house of
50 13 representatives.

50 14 (4) One member appointed by the minority leader of the
50 15 house of representatives.

50 16 c. All appointments shall comply with sections 69.16 and
50 17 69.16A.

50 18 d. At least one member of the board shall be from each
50 19 grow Iowa values geographic region.

50 20 e. Each of the following areas of expertise shall be
50 21 represented by at least one member of the board who has
50 22 professional experience in that area of expertise:

50 23 (1) Finance and investment banking.
50 24 (2) Advanced manufacturing.
50 25 (3) Statewide agriculture.
50 26 (4) Life sciences.
50 27 (5) Small business development.
50 28 (6) Information technology.
50 29 (7) Economics.
50 30 (8) Labor.
50 31 (9) Marketing.
50 32 (10) Entrepreneurship.

50 33 f. At least nine voting members of the board shall be
50 34 actively employed in the private, for-profit sector of the
50 35 economy.

51 1 g. The board membership shall be balanced between
51 2 representation by employers with less than two hundred

51 3 employees and employers with two hundred or more employees.
51 4 3. The chairperson and vice chairperson shall be elected
51 5 by the voting members of the board from the membership of the
51 6 board. In the case of the absence or disability of the
51 7 chairperson and vice chairperson, the voting members of the
51 8 board shall elect a temporary chairperson by a majority vote
51 9 of those voting members who are present and voting, provided a
51 10 quorum is present.

51 11 4. The members of the board shall be appointed to three=
51 12 year staggered terms and the terms shall commence and end as
51 13 provided in section 69.19. If a vacancy occurs, a successor
51 14 shall be appointed in the same manner and subject to the same
51 15 qualifications as the original appointment to serve the
51 16 unexpired term.

51 17 5. A majority of the voting members of the board
51 18 constitutes a quorum.

51 19 6. A member of the board shall abstain from voting on the
51 20 provision of financial assistance to a project which is
51 21 located in the county in which the member of the board
51 22 resides.

51 23 7. The members of the board are entitled to receive
51 24 reimbursement for actual expenses incurred while engaged in
51 25 the performance of official duties. A board member may also
51 26 be eligible to receive compensation as provided in section
51 27 7E.6.

51 28 Sec. 79. NEW SECTION. 15G.103 BOARD DUTIES.

51 29 The board shall do all of the following:

51 30 1. Organize.

51 31 2. Receive advice and recommendations from the due
51 32 diligence committee, the economic development marketing board,
51 33 and the grow Iowa values review commission.

51 34 3. Assist the department in implementing programs and
51 35 activities in a manner designed to achieve the goals set out
52 1 in section 15G.106.

52 2 4. By December 15 of each year, submit a written report to
52 3 the general assembly reviewing the activities of the board
52 4 during the calendar year. The report shall include
52 5 information necessary for the review of the goals and
52 6 performance measures set out in section 15G.106. State
52 7 agencies and other entities receiving moneys from the fund
52 8 shall cooperate with and assist the board in compilation of
52 9 the report.

52 10 5. Adopt administrative rules pursuant to chapter 17A
52 11 necessary to administer this chapter. This delegation shall
52 12 be construed narrowly.

52 13 6. Adopt a strategic plan pursuant to section 8E.204 by
52 14 July 1, 2004.

52 15 Sec. 80. NEW SECTION. 15G.104 DUE DILIGENCE COMMITTEE.

52 16 1. A due diligence committee is established consisting of
52 17 five members and is located for administrative purposes within
52 18 the department. The director of the department shall provide
52 19 office space, staff assistance, and necessary supplies and
52 20 equipment for the committee. The director shall budget moneys
52 21 to pay the compensation and expenses of the committee. In
52 22 performing its functions, the committee is performing a public
52 23 function on behalf of the state and is a public
52 24 instrumentality of the state.

52 25 2. a. Membership of the due diligence committee shall
52 26 consist of five voting members of the grow Iowa values board
52 27 elected annually by the voting members of the board.
52 28 Committee members shall have expertise in the areas of banking
52 29 and entrepreneurship.

52 30 b. The chairperson and vice chairperson of the committee
52 31 shall be elected by and from the committee members. The terms
52 32 of the members shall commence and end as provided by section
52 33 69.19. If a vacancy occurs, a successor shall be appointed in
52 34 the same manner and subject to the same qualifications as the
52 35 original appointment to serve the unexpired term. A majority
53 1 of the committee constitutes a quorum.

53 2 3. The committee, after a thorough review, shall determine
53 3 whether a proposed project using moneys from the grow Iowa
53 4 values fund is practical and shall provide recommendations to
53 5 the grow Iowa values board regarding any moneys proposed to be
53 6 expended from the grow Iowa values fund, with the exception of
53 7 moneys appropriated for purposes of the loan and credit
53 8 guarantee program and regarding whether a proposed project is
53 9 practical. The recommendations shall be based on whether the
53 10 expenditure would make the achievement of the goals in
53 11 accordance with the performance measures set out in section
53 12 15G.106 more likely. The recommendations may include
53 13 conditions or that a proposed expenditure be rejected.

53 14 4. The members of the committee are entitled to receive
53 15 reimbursement for actual expenses incurred while engaged in
53 16 the performance of official duties. A committee member may
53 17 also be eligible to receive compensation as provided in
53 18 section 7E.6.

53 19 Sec. 81. NEW SECTION. 15G.104A GROW IOWA VALUES REVIEW
53 20 COMMISSION.

53 21 1. A grow Iowa values review commission is established
53 22 consisting of three members and is located for administrative
53 23 purposes within the office of the auditor of state. The
53 24 auditor of state shall provide office space, staff assistance,
53 25 and necessary supplies and equipment for the review
53 26 commission. The auditor of state shall budget moneys to pay
53 27 the compensation and expenses of the commission, including the
53 28 actual expenses of the auditor of state incurred while engaged
53 29 in the performance of official commission duties. In
53 30 performing its functions, the review commission is performing
53 31 a public function on behalf of the state and is a public
53 32 instrumentality of the state.

53 33 2. Membership of the review commission shall include the
53 34 auditor of state, one member appointed by the governor subject
53 35 to confirmation by the senate, and one member appointed by the
54 1 legislative council. The members appointed by the governor
54 2 and the legislative council shall possess experience and
54 3 expertise in the field of economics. The appointments shall
54 4 comply with sections 69.16 and 69.16A. The chairperson of the
54 5 review commission shall be the auditor of state. The members
54 6 shall be appointed to three-year staggered terms and the terms
54 7 shall commence and end as provided by section 69.19. If a
54 8 vacancy occurs, a successor shall be appointed in the same
54 9 manner and subject to the same qualifications as the original
54 10 appointment to serve the unexpired term. A majority of the
54 11 review commission constitutes a quorum.

54 12 3. The review commission shall analyze all annual reports
54 13 of the grow Iowa values board for purposes of determining if
54 14 the goals and performance measures set out in section 15G.106
54 15 have been met. By January 1, 2007, the review commission
54 16 shall submit a report to the grow Iowa values board, the
54 17 department, and the general assembly. The report shall
54 18 include findings, itemized by grow Iowa values geographic
54 19 regions, regarding whether the goals and performance measures
54 20 were met. The report shall also include recommendations
54 21 regarding the continuation, elimination, or modification of
54 22 any programs receiving moneys from the grow Iowa values fund
54 23 and whether moneys should continue to be appropriated to and
54 24 from the grow Iowa values fund. The recommendations shall be
54 25 based on whether the goals in accordance with the performance
54 26 measures are being achieved.

54 27 4. The members of the commission, including the auditor of
54 28 state, are entitled to receive reimbursement for actual
54 29 expenses incurred while engaged in the performance of official
54 30 duties. A commission member may also be eligible to receive
54 31 compensation as provided in section 7E.6.

54 32 Sec. 82. NEW SECTION. 15G.105 GROW IOWA VALUES
54 33 GEOGRAPHIC REGIONS.

54 34 For purposes of applying the goals and performance
54 35 measurements, the state shall be divided into five grow Iowa
55 1 values geographic regions. The regions shall be the
55 2 following:

55 3 1. The northwest region shall include the counties of
55 4 Lyon, Osceola, Dickinson, Emmet, Kossuth, Winnebago, Sioux,
55 5 O'Brien, Clay, Palo Alto, Hancock, Plymouth, Cherokee, Buena
55 6 Vista, Pocahontas, Humboldt, Wright, Woodbury, Ida, Sac,
55 7 Calhoun, Webster, and Hamilton.

55 8 2. The northeast region shall include the counties of
55 9 Worth, Mitchell, Howard, Winneshiek, Allamakee, Cerro Gordo,
55 10 Floyd, Chickasaw, Fayette, Clayton, Franklin, Butler, Bremer,
55 11 Hardin, Grundy, Black Hawk, Buchanan, Delaware, Dubuque, Tama,
55 12 Benton, Linn, Jones, and Jackson.

55 13 3. The southeast region shall include the counties of
55 14 Poweshiek, Iowa, Johnson, Cedar, Clinton, Scott, Muscatine,
55 15 Mahaska, Keokuk, Washington, Louisa, Monroe, Wapello,
55 16 Jefferson, Henry, Des Moines, Appanoose, Davis, Van Buren, and
55 17 Lee.

55 18 4. The southwest region shall include the counties of
55 19 Monona, Crawford, Carroll, Greene, Harrison, Shelby, Audubon,
55 20 Guthrie, Pottawattamie, Cass, Adair, Mills, Montgomery, Adams,
55 21 Union, Clarke, Lucas, Fremont, Page, Taylor, Ringgold,
55 22 Decatur, and Wayne.

55 23 5. The central region shall include the counties of Boone,
55 24 Story, Marshall, Dallas, Polk, Jasper, Madison, Warren, and

55 25 Marion.
55 26 Sec. 83. NEW SECTION. 15G.106 GOALS == PERFORMANCE
55 27 MEASURES.
55 28 1. In performing the duties provided in this chapter,
55 29 chapter 15, and chapter 15E, the grow Iowa values board, the
55 30 due diligence committee, the economic development marketing
55 31 board, the grow Iowa values review commission, and the
55 32 department shall achieve the goals of expanding and
55 33 stimulating the state economy, increasing the wealth of
55 34 Iowans, and increasing the population of the state. For
55 35 purposes of this section, "upper midwest region" includes the
56 1 states of Iowa, Kansas, Minnesota, Missouri, Nebraska, North
56 2 Dakota, and South Dakota.
56 3 2. Goal achievement shall be examined on a regional basis
56 4 using the grow Iowa values geographic regions on a statewide
56 5 basis. Family farm performance indicators shall be calculated
56 6 separately. The performance of the grow Iowa values
56 7 geographic regions shall be compared to the performance of the
56 8 state, the upper midwest region, and the United States. The
56 9 baseline year shall be the calendar year 2002. In each grow
56 10 Iowa values geographic region, the goal shall be to increase
56 11 the baseline performance measure of Iowa's gross state product
56 12 at a rate equal to or greater than the national economy.
56 13 3. a. In determining whether the goal of expanding and
56 14 stimulating the state economy has been met, and using the
56 15 calendar year 2002 as a baseline, performance measures shall
56 16 be considered, including but not limited to the following, on
56 17 a statewide basis or of those businesses that receive moneys
56 18 originating from the grow Iowa values fund, as appropriate:
56 19 (1) A net increase in a business's supplier network.
56 20 (2) A net increase in business start-ups.
56 21 (3) A net increase in business expansion.
56 22 (4) A net increase in business modernization.
56 23 (5) A net increase in attracting new businesses to the
56 24 state.
56 25 (6) A net increase in business retention.
56 26 (7) A net increase in job creation and retention.
56 27 (8) A decrease in Iowa of the ratio of the government
56 28 employment as a percentage share of the total employment in
56 29 Iowa at a rate at least equal to the ratio of the upper
56 30 midwest region.
56 31 b. By December 15 of each year, the department shall
56 32 submit a report to the grow Iowa values review commission and
56 33 the grow Iowa values board that identifies information
56 34 pertinent to the performance measures in paragraph "a",
56 35 subparagraphs (3), (4), and (6), that the department gains
57 1 through interviews with businesses in the state that close all
57 2 or a portion of operations in the state. By December 15 of
57 3 each year, based on the same interviews, the department shall
57 4 submit a report to the general assembly providing suggested
57 5 amendments to the Code of Iowa and the Iowa administrative
57 6 code designed to stimulate and expand the state's economy.
57 7 c. By December 15 of each year the department shall submit
57 8 a report to the grow Iowa values review commission and the
57 9 grow Iowa values board that identifies prospective lost
57 10 business development opportunities information pertinent to
57 11 the performance measures in paragraph "a", subparagraphs (2)
57 12 and (5), which indicate that the state has not been successful
57 13 in the performance measures in paragraph "a", subparagraphs
57 14 (2) and (5).
57 15 d. For purposes of the performance measure in paragraph
57 16 "a", subparagraph (7), the department of economic development,
57 17 in consultation with the department of workforce development
57 18 and the auditor of state, shall determine average annual job
57 19 creation and retention rates based on the ten years prior to
57 20 2003, for the state and the upper midwest region. During the
57 21 fiscal years beginning July 1, 2003, July 1, 2004, and July 1,
57 22 2005, the department of economic development shall report the
57 23 job creation and retention rate of those businesses that
57 24 receive moneys originating from the grow Iowa values fund and
57 25 the job creation and retention rate of those businesses that
57 26 do not receive moneys originating from the grow Iowa values
57 27 fund. The ten-year average annual job creation and retention
57 28 rate shall be compared to the job creation and retention rates
57 29 determined under this paragraph for the fiscal years beginning
57 30 July 1, 2003, July 1, 2004, and July 1, 2005. The department
57 31 of economic development shall assist the department of
57 32 workforce development in maintaining detailed employment
57 33 statistics on businesses that receive moneys originating from
57 34 the grow Iowa values fund, on businesses that do not receive
57 35 moneys originating from the grow Iowa values fund, and on

58 1 industries in Iowa that those businesses represent. The
58 2 auditor of state shall audit the reliability and validity of
58 3 the statistics compiled pursuant to this paragraph.
58 4 4. In determining whether the goal of increasing the
58 5 wealth of Iowans has been met, the following earning
58 6 performance measures shall be considered:
58 7 a. The per capita personal income in Iowa shall equal or
58 8 exceed the average per capita personal income for the upper
58 9 midwest region.
58 10 b. The average earnings per job in Iowa shall equal or
58 11 exceed the average earnings per job in the upper midwest
58 12 region.
58 13 c. The average manufacturing earnings per employee in Iowa
58 14 shall equal or exceed the average manufacturing earnings per
58 15 employee in the upper midwest region.
58 16 d. The average service earnings per employee in Iowa shall
58 17 equal or exceed the average service earnings per employee in
58 18 the upper midwest region.
58 19 e. The average earnings per employee in the financial,
58 20 insurance, and real estate industries in Iowa shall equal or
58 21 exceed the average earnings per employee in the financial,
58 22 insurance, and real estate industries in the upper midwest
58 23 region.
58 24 5. In determining whether the goal of increasing the
58 25 population of the state has been met, the following
58 26 performance measures shall be considered:
58 27 a. Using the calendar year 2002 as a baseline year, a net
58 28 increase in the retention of Iowa high school graduates that
58 29 are employed in the Iowa workforce following a higher
58 30 education degree.
58 31 b. The increase in higher education graduates.
58 32 Sec. 84. NEW SECTION. 15G.107 GROW IOWA VALUES FUND.
58 33 A grow Iowa values fund is created in the state treasury
58 34 under the control of the grow Iowa values board consisting of
58 35 moneys appropriated to the grow Iowa values board. Moneys in
59 1 the fund are not subject to section 8.33. Notwithstanding
59 2 section 12C.7, interest or earnings on moneys in the fund
59 3 shall be credited to the fund. The fund shall be administered
59 4 by the grow Iowa values board, which shall make expenditures
59 5 from the fund consistent with this chapter and pertinent Acts
59 6 of the general assembly. Any financial assistance provided
59 7 using moneys from the fund may be provided over a period of
59 8 time of more than one year. Payments of interest, repayments
59 9 of moneys loaned pursuant to this chapter, and recaptures of
59 10 grants or loans shall be deposited in the fund.
59 11 Sec. 85. NEW SECTION. 15G.108 ECONOMIC DEVELOPMENT
59 12 MARKETING BOARD == MARKETING STRATEGIES.
59 13 1. a. An economic development marketing board is
59 14 established consisting of seven members and is located for
59 15 administrative purposes within the department. The director
59 16 of the department shall provide office space, staff
59 17 assistance, and necessary supplies and equipment for the
59 18 board. The director shall budget moneys to pay the
59 19 compensation and expenses of the board. In performing its
59 20 functions, the board is performing a public function on behalf
59 21 of the state and is a public instrumentality of the state.
59 22 b. The membership of the board shall consist of seven
59 23 members appointed by the governor, subject to confirmation by
59 24 the senate. Five of the members shall have significant
59 25 demonstrated experience in marketing or advertising. Two
59 26 members of the board shall also be members of the grow Iowa
59 27 values board.
59 28 c. The appointments shall comply with sections 69.16 and
59 29 69.16A.
59 30 d. The chairperson and vice chairperson of the board shall
59 31 be elected by and from the board members. In case of the
59 32 absence or disability of the chairperson and vice chairperson,
59 33 the members of the board shall elect a temporary chairperson
59 34 by a majority vote of those members who are present and
59 35 voting.
60 1 e. The members shall be appointed to three-year staggered
60 2 terms and the terms shall commence and end as provided by
60 3 section 69.19. If a vacancy occurs, a successor shall be
60 4 appointed to serve the unexpired term. A successor shall be
60 5 appointed in the same manner and subject to the same
60 6 qualifications as the original appointment to serve the
60 7 unexpired term.
60 8 f. A majority of the board constitutes a quorum.
60 9 2. The board shall administer and implement the approval
60 10 process for marketing strategies provided in subsection 3.
60 11 3. The economic development marketing board shall accept

60 12 proposals for marketing strategies for purposes of selecting a
60 13 strategy for the department to administer. The marketing
60 14 strategies shall be designed to market Iowa as a lifestyle,
60 15 increase the population of the state, increase the wealth of
60 16 Iowans, and expand and stimulate the state economy. The
60 17 economic development marketing board shall submit a
60 18 recommendation regarding the proposal to the grow Iowa values
60 19 board. In selecting a marketing strategy for recommendation,
60 20 the economic development marketing board shall base the
60 21 selection on the goals and performance measures provided in
60 22 section 15G.106. The grow Iowa values board shall either
60 23 approve or deny the recommendation.

60 24 4. The department shall implement and administer the
60 25 marketing strategy approved by the grow Iowa values board as
60 26 provided in subsection 3. The department shall provide the
60 27 economic development marketing board with assistance in
60 28 implementing administrative functions of the board and provide
60 29 technical assistance to the board.

60 30 5. The members of the board are entitled to receive
60 31 reimbursement for actual expenses incurred while engaged in
60 32 the performance of official duties. A board member may also
60 33 be eligible to receive compensation as provided in section
60 34 7E.6.

60 35 Sec. 86. NEW SECTION. 15G.109 FUTURE CONSIDERATION.

61 1 Not later than February 1, 2007, the legislative services
61 2 agency shall prepare and deliver to the secretary of the
61 3 senate and the chief clerk of the house of representatives
61 4 identical bills that repeal the provisions of this chapter.
61 5 It is the intent of this section that the general assembly
61 6 shall bring the bill to a vote in either the senate or the
61 7 house of representatives expeditiously. It is further the
61 8 intent of this chapter that if the bill is approved by the
61 9 first house in which it is considered, it shall expeditiously
61 10 be brought to a vote in the second house.

61 11 DIVISION VII

61 12 VALUE-ADDED AGRICULTURAL PRODUCTS AND PROCESSES

61 13 FINANCIAL ASSISTANCE PROGRAM

61 14 Sec. 87. Section 15E.111, subsection 1, Code 2003, is
61 15 amended to read as follows:

61 16 1. a. The department shall establish a value-added
61 17 agricultural products and processes financial assistance
61 18 program. The department shall consult with ~~the Iowa corn~~
~~61 19 growers association and the Iowa soybean association Iowa~~
~~61 20 commodity groups.~~ The purpose of the program is to encourage
61 21 the increased utilization of agricultural commodities produced
61 22 in this state. The program shall assist in efforts to
61 23 revitalize rural regions of this state, by committing
61 24 resources to provide financial assistance to new or existing
61 25 value-added production facilities. The department of economic
61 26 development may consult with other state agencies regarding
61 27 any possible future environmental, health, or safety issues
61 28 linked to technology related to the biotechnology industry.
61 29 In awarding financial assistance, the department shall prefer
61 30 producer-owned, value-added businesses and public and private
61 31 joint ventures involving an institution of higher learning
61 32 under the control of the state board of regents or a private
61 33 college or university acquiring assets, research facilities,
61 34 and leveraging moneys in a manner that meets the goals of the
61 35 grow Iowa values fund and shall commit resources to assist the

62 1 following:

62 2 a- (1) Facilities which are involved in the development of
62 3 new innovative products and processes related to agriculture.
62 4 The facility must do either of the following: produce a good
62 5 derived from an agricultural commodity, if the good is not
62 6 commonly produced from an agricultural commodity; or use a
62 7 process to produce a good derived from an agricultural
62 8 process, if the process is not commonly used to produce the
62 9 good.

62 10 b- (2) Renewable fuel production facilities. As used in
62 11 this section, "renewable fuel" means an energy source which is
62 12 derived from an organic compound capable of powering
62 13 machinery, including an engine or power plant.

62 14 (3) Agricultural business facilities in the agricultural
62 15 biotechnology industry, agricultural biomass industry, and
62 16 alternative energy industry. For purposes of this subsection:

62 17 (a) "Agricultural biomass industry" means businesses that
62 18 utilize agricultural commodity crops, agricultural by=
62 19 products, or animal feedstock in the production of chemicals,
62 20 protein products, or other high-value products.

62 21 (b) "Agricultural biotechnology industry" means businesses
62 22 that utilize scientifically enhanced plants or animals that

62 23 can be raised by producers and used in the production of high=
62 24 value products.
62 25 (c) "Alternative energy industry" includes businesses
62 26 involved in the production of ethanol, including gasoline with
62 27 a mixture of seventy percent or more ethanol, biodiesel,
62 28 biomass, hydrogen, or in the production of wind energy.
62 29 (4) Facilities that add value to Iowa agricultural
62 30 commodities through further processing and development of
62 31 organic products and emerging markets.
62 32 (5) Producer-owned, value-added businesses, education of
62 33 producers and management boards in value-added businesses, and
62 34 other activities that would support the infrastructure in the
62 35 development of value-added agriculture. Public and private
63 1 joint ventures involving an institution of higher learning
63 2 under the control of the state board of regents or a private
63 3 college or university to acquire assets, research facilities,
63 4 and leverage moneys in a manner that meets the goals of the
63 5 grow Iowa values fund. For purposes of this subsection,
63 6 "producer-owned, valued-added business" means a person who
63 7 holds an equity interest in the agricultural business and is
63 8 personally involved in the production of crops or livestock on
63 9 a regular, continuous, and substantial basis.
63 10 b. Financial assistance awarded under this section may be
63 11 in the form of a loan, loan guarantee, grant, production
63 12 incentive payment, or a combination of financial assistance.
63 13 The department shall not award more than twenty-five percent
63 14 of the amount allocated to the value-added agricultural
63 15 products and processes financial assistance fund during any
63 16 fiscal year to support a single person. The department may
63 17 finance any size of facility. However, the department ~~shall~~
63 18 ~~may~~ reserve up to fifty percent of the total amount allocated
63 19 to the fund, for purposes of assisting persons requiring ~~one~~
63 20 ~~five~~ hundred thousand dollars or less in financial assistance.
63 21 The amount shall be reserved until the end of the third
63 22 quarter of the fiscal year. The department shall not provide
63 23 financial assistance to support a value-added production
63 24 facility if the facility or a person owning a controlling
63 25 interest in the facility has demonstrated a continuous and
63 26 flagrant disregard for the health and safety of its employees
63 27 or the quality of the environment. Evidence of such disregard
63 28 shall include a history of serious or uncorrected violations
63 29 of state or federal law protecting occupational health and
63 30 safety or the environment, including but not limited to
63 31 serious or uncorrected violations of occupational safety and
63 32 health standards enforced by the division of labor services of
63 33 the department of workforce development pursuant to chapter
63 34 84A, or rules enforced by the department of natural resources
63 35 pursuant to chapter 455B or 459, subchapters II and III.

64 1 DIVISION VIII

64 2 ENDOW IOWA GRANTS

64 3 Sec. 88. NEW SECTION. 15E.301 SHORT TITLE.

64 4 This division shall be known as and may be cited as the
64 5 "Endow Iowa Program Act".

64 6 Sec. 89. NEW SECTION. 15E.302 PURPOSE.

64 7 The purpose of this division is to enhance the quality of
64 8 life for citizens of this state through increased
64 9 philanthropic activity by providing capital to new and
64 10 existing citizen groups of this state organized to establish
64 11 endowment funds that will address community needs. The
64 12 purpose of this division is also to encourage individuals,
64 13 businesses, and organizations to invest in community
64 14 foundations.

64 15 Sec. 90. NEW SECTION. 15E.303 DEFINITIONS.

64 16 As used in this division, unless the context otherwise
64 17 requires:

64 18 1. "Board" means the governing board of the lead
64 19 philanthropic entity identified by the department pursuant to
64 20 section 15E.304.

64 21 2. "Business" means a business operating within the state
64 22 and includes individuals operating a sole proprietorship or
64 23 having rental, royalty, or farm income in this state and
64 24 includes a consortium of businesses.

64 25 3. "Community affiliate organization" means a group of
64 26 five or more community leaders or advocates organized for the
64 27 purpose of increasing philanthropic activity in an identified
64 28 community or geographic area in this state with the intention
64 29 of establishing a community affiliate endowment fund.

64 30 4. "Endowment gift" means an irrevocable contribution to a
64 31 permanent endowment held by a qualified community foundation.

64 32 5. "Lead philanthropic entity" means the entity identified
64 33 by the department pursuant to section 15E.304.

64 34 6. "Qualified community foundation" means a community
64 35 foundation organized or operating in this state that meets or
65 1 exceeds the national standards established by the national
65 2 council on foundations.
65 3 Sec. 91. NEW SECTION. 15E.304 ENDOW IOWA GRANTS.
65 4 1. The department shall identify a lead philanthropic
65 5 entity for purposes of encouraging the development of
65 6 qualified community foundations in this state. A lead
65 7 philanthropic entity shall meet all of the following
65 8 qualifications:
65 9 a. The entity shall be a nonprofit entity which is exempt
65 10 from federal income taxation pursuant to section 501(c)(3) of
65 11 the Internal Revenue Code.
65 12 b. The entity shall be a statewide organization with
65 13 membership consisting of organizations, such as community,
65 14 corporate, and private foundations, whose principal function
65 15 is the making of grants within the state of Iowa.
65 16 c. The entity shall have a minimum of forty members and
65 17 that membership shall include qualified community foundations.
65 18 2. A lead philanthropic entity may receive a grant from
65 19 the department. The board shall use the grant moneys to award
65 20 endow Iowa grants to new and existing qualified community
65 21 foundations and to community affiliate organizations that do
65 22 all of the following:
65 23 a. Provide the board with all information required by the
65 24 board.
65 25 b. Demonstrate a dollar-for-dollar funding match in a form
65 26 approved by the board.
65 27 c. Identify a qualified community foundation to hold all
65 28 funds. A qualified community foundation shall not be required
65 29 to meet this requirement.
65 30 d. Provide a plan to the board demonstrating the method
65 31 for distributing grant moneys received from the board to
65 32 organizations within the community or geographic area as
65 33 defined by the qualified community foundation or the community
65 34 affiliate organization.
65 35 3. Endow Iowa grants awarded to new and existing qualified
66 1 community foundations and to community affiliate organizations
66 2 shall not exceed twenty-five thousand dollars per foundation
66 3 or organization unless a foundation or organization
66 4 demonstrates a multiple county or regional approach. Endow
66 5 Iowa grants may be awarded on an annual basis with not more
66 6 than three grants going to one county in a fiscal year.
66 7 4. In ranking applications for grants, the board shall
66 8 consider a variety of factors including the following:
66 9 a. The demonstrated need for financial assistance.
66 10 b. The potential for future philanthropic activity in the
66 11 area represented by or being considered for assistance.
66 12 c. The proportion of the funding match being provided.
66 13 d. For community affiliate organizations, the demonstrated
66 14 need for the creation of a community affiliate endowment fund
66 15 in the applicant's geographic area.
66 16 e. The identification of community needs and the manner in
66 17 which additional funding will address those needs.
66 18 f. The geographic diversity of awards.
66 19 5. Of any moneys received by a lead philanthropic entity
66 20 from the state, not more than five percent of such moneys
66 21 shall be used by the entity for administrative purposes.
66 22 Sec. 92. NEW SECTION. 15E.306 REPORTS == AUDITS.
66 23 By January 31 of each year, the lead philanthropic entity,
66 24 in cooperation with the department, shall publish an annual
66 25 report of the activities conducted pursuant to this division
66 26 during the previous calendar year and shall submit the report
66 27 to the governor and the general assembly. The annual report
66 28 shall include a listing of endowment funds and the amount of
66 29 tax credits authorized by the department.
66 30 Sec. 93. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.
66 31 This division of this Act, being deemed of immediate
66 32 importance, takes effect upon enactment and is retroactively
66 33 applicable to January 1, 2003, for tax years beginning on or
66 34 after that date.

DIVISION IX

COMMERCIALIZATION OF RESEARCH ISSUES

67 1 Sec. 94. Section 262.9, Code 2003, is amended by adding
67 2 the following new subsection:
67 3 NEW SUBSECTION. 29. By January 15 of each year, submit a
67 4 report to the governor, through the director of technology in
67 5 the office of the governor, and the general assembly
67 6 containing information from the previous calendar year
67 7 regarding all of the following:
67 8 a. Patents secured or applied for by each university under
67 9

67 10 the control of the board delineated by university and by
67 11 faculty member and staff member responsible for the research
67 12 or activity that resulted in the patent. In the initial
67 13 report filed by January 15, 2004, the board shall include an
67 14 inventory of patent portfolios with details concerning which
67 15 patents are creating financial benefit and the amount of
67 16 financial benefit and which patents are not creating financial
67 17 benefit and the amount invested in those patents.

67 18 b. Research grants secured by each university under the
67 19 control of the board from both public and private sources
67 20 delineated by university and by faculty member and staff
67 21 member. The board shall also include the same information for
67 22 grant applications that are denied.

67 23 c. The number of faculty members and staff members at each
67 24 university under the control of the board involved in a start=
67 25 up company.

67 26 d. The number of grant applications for research received
67 27 by each university under the control of the board for start-up
67 28 companies, the number of applications approved, and the number
67 29 of applications denied.

67 30 e. The number of agreements entered into by faculty
67 31 members and staff members at each university under the control
67 32 of the board with foundations affiliated with the universities
67 33 relating to business start-ups.

67 34 f. An accounting of the financial gain received by each
67 35 university under the control of the board relating to patents
68 1 sold, royalties received, licensing fees, and any other
68 2 remuneration received by the university related to technology
68 3 transfer.

68 4 g. The number of professional employees at each university
68 5 under the control of the board who assist in the transfer of
68 6 technology and research to commercial application.

68 7 Sec. 95. Section 262B.1, Code 2003, is amended to read as
68 8 follows:

68 9 262B.1 TITLE.

68 10 This chapter shall be known and may be cited as the

68 11 ~~"University-Based Research and Economic Development~~

68 12 ~~"Commercialization of Research for Iowa Act"~~.

68 13 Sec. 96. Section 262B.2, Code 2003, is amended by striking
68 14 the section and inserting in lieu thereof the following:

68 15 262B.2 LEGISLATIVE INTENT.

68 16 It is the intent of the general assembly that the three
68 17 universities under the control of the state board of regents
68 18 have as part of their mission the use of their universities'
68 19 expertise to expand and stimulate economic growth across the
68 20 state. This activity may be accomplished through a wide
68 21 variety of partnerships, public and private joint ventures,
68 22 and cooperative endeavors, primarily in the area of high
68 23 technology, and may result in investments by the private
68 24 sector for commercialization of the technology. It is
68 25 imperative that the investments and job creation be in Iowa,
68 26 but need not be in the proximity of the universities. The
68 27 purpose is to expand and stimulate Iowa's economy, increase
68 28 the wealth of Iowans, and increase the population of Iowa,
68 29 which may be accomplished through research conducted within
68 30 the state that will competitively position Iowa on an economic
68 31 basis with other states and create high-wage, high-growth
68 32 employers and jobs. It is also the intent of the general
68 33 assembly that real or virtual research parks will be
68 34 established and maintained by the universities in close enough
68 35 proximity to the ventures that cooperation between the
69 1 academic, research, and commercialization phases will be
69 2 encouraged. It is the intent of the general assembly that
69 3 satellites of the research parks will expand and stimulate
69 4 economic growth in other areas of the state.

69 5 Sec. 97. Section 262B.3, Code 2003, is amended to read as
69 6 follows:

69 7 262B.3 ~~ESTABLISHMENT OF CONSORTIUM~~ DUTIES AND
69 8 RESPONSIBILITIES.

69 9 1. ~~The state board of regents or the universities under~~
69 10 ~~its jurisdiction, as part of its mission and strategic plan,~~
69 11 ~~shall establish consortiums mechanisms for the purpose of~~
69 12 ~~carrying out the intent of this chapter. The majority of~~
69 13 ~~consortium members shall be from the university community and~~
69 14 ~~the balance of members shall be from private industry. The~~
69 15 ~~members of the consortium shall be appointed by the president~~
69 16 ~~of the convening university and will serve at the pleasure of~~
69 17 ~~the president. In addition to other board initiatives, the~~
69 18 ~~board shall work with the department of economic development,~~
69 19 ~~other state agencies, and the private sector to facilitate the~~
69 20 ~~commercialization of research.~~

69 21 2. Activities to implement this chapter may include:
69 22 a. Developing strategies to market university research for
69 23 commercialization in Iowa.
69 24 b. Matching university resources with the needs of
69 25 existing Iowa firms or start-up opportunities.
69 26 c. Evaluating university research for commercialization
69 27 potential, where relevant.
69 28 d. Developing a plan to improve private sector access to
69 29 the university licenses and patent information and the
69 30 transfer of technology from the university to the private
69 31 sector.
69 32 e. Disseminating information on research activities of the
69 33 university.
69 34 f. Identifying research needs of existing Iowa businesses
69 35 and recommending ways in which the universities can meet these
70 1 needs.
70 2 g. Linking research and instruction activities to economic
70 3 development.
70 4 h. Reviewing and monitoring activities related to
70 5 technology transfer.
70 6 i. Coordinating activities to facilitate a focus on
70 7 research in the state's targeted industry clusters.
70 8 j. Surveying of similar activities in other states and at
70 9 other universities.
70 10 k. Establishing a single point of contact to facilitate
70 11 commercialization of research.

70 12 Sec. 98. Section 262B.5, Code 2003, is amended to read as
70 13 follows:

70 14 262B.5 ~~REGENTS AND DEPARTMENT OF ECONOMIC DEVELOPMENT~~
70 15 ~~REPORTING.~~

70 16 ~~The state board of regents and the Iowa department of~~
70 17 ~~economic development shall enter into an agreement under~~
70 18 ~~chapter 28E to coordinate and facilitate the activities of the~~
70 19 ~~consortiums. The state board of regents and with input from~~
70 20 ~~the Iowa department of economic development shall report~~
70 21 ~~annually to the governor and the general assembly concerning~~
70 22 ~~the activities of the consortiums conducted pursuant to this~~
70 23 ~~chapter.~~

70 24 Sec. 99. NEW SECTION. 262B.6 DIRECTOR OF TECHNOLOGY ==
70 25 TECHNOLOGY TRANSFER AGENTS.

70 26 1. The governor shall appoint a director of technology to
70 27 serve within the office of the governor. A position is
70 28 created for a deputy director of technology within the office
70 29 of the governor. The director and the deputy director shall
70 30 be responsible for advancing technology transfer and
70 31 commercialization issues in the state and shall coordinate the
70 32 related activities at the institutions of higher learning
70 33 under the control of the state board of regents. The director
70 34 shall have demonstrated expertise and experience in the areas
70 35 of business, industry, and academics.

71 1 2. Each institution of higher learning under the control
71 2 of the state board of regents shall designate an employee to
71 3 serve as a technology transfer agent to coordinate the
71 4 activities of the institution with the director of technology
71 5 within the office of the governor.

71 6 3. By December 1, 2004, the director shall conduct a study
71 7 and develop recommendations for the advancement of technology
71 8 transfer and commercialization issues. The director shall
71 9 compile and submit the recommendations in written form to the
71 10 general assembly by December 1, 2004. The recommendations
71 11 shall include specific and detailed proposed amendments to the
71 12 Code of Iowa necessary to advance the proposed
71 13 recommendations.

71 14 Sec. 100. Section 262B.4, Code 2003, is repealed.

71 15 DIVISION X
71 16 IOWA ECONOMIC DEVELOPMENT
71 17 LOAN AND CREDIT GUARANTEE FUND

71 18 Sec. 101. NEW SECTION. 15E.221 SHORT TITLE.

71 19 This division shall be known and may be cited as the "Iowa
71 20 Economic Development Loan and Credit Guarantee Fund Act".

71 21 Sec. 102. NEW SECTION. 15E.222 LEGISLATIVE FINDING ==
71 22 PURPOSES.

71 23 1. The general assembly finds all of the following:

71 24 a. That small and medium-sized businesses, in general, and
71 25 certain targeted industry businesses and other qualified
71 26 businesses, in particular, may not qualify for conventional
71 27 financing.

71 28 b. That the limited availability of credit for export
71 29 transactions limits the ability of small and medium-sized
71 30 businesses in this state to compete in international markets.

71 31 c. That, to enhance competitiveness and foster economic

71 32 development, this state must focus on growth in certain
71 33 specific targeted industry businesses and other qualified
71 34 businesses, especially during a time of war.
71 35 d. That the challenge for the public economic sector is to
72 1 create an atmosphere conducive to economic growth, in
72 2 conjunction with financial institutions in the private sector,
72 3 which fill the gaps in credit availability and export finance,
72 4 and that allow the private sector to identify the lending
72 5 opportunities and foster decision making at the local level.
72 6 2. The general assembly declares the purposes of this
72 7 division to be all of the following:
72 8 a. To create incentives and assistance to increase the
72 9 flow of private capital to targeted industry businesses and
72 10 other qualified businesses.
72 11 b. To promote industrial modernization and technology
72 12 adoption.
72 13 c. To encourage the retention and creation of jobs.
72 14 d. To encourage the export of goods and services sold by
72 15 Iowa businesses in national and international markets.
72 16 Sec. 103. NEW SECTION. 15E.223 DEFINITIONS.
72 17 As used in this division, unless the context otherwise
72 18 requires:
72 19 1. "Financial institution" means an institution listed in
72 20 section 422.61, subsection 1, or such other financial
72 21 institution as defined by the department for purposes of this
72 22 division.
72 23 2. "Program" means the loan and credit guarantee program
72 24 established in this division.
72 25 3. "Qualified business" means an existing or proposed
72 26 business entity with an annual average number of employees not
72 27 exceeding two hundred employees. "Qualified business" does
72 28 not include businesses engaged primarily in retail sales, real
72 29 estate, or the provision of health care or other professional
72 30 services. "Qualified business" includes professional services
72 31 businesses that provide services to targeted industry
72 32 businesses or other entities.
72 33 4. "Targeted industry business" means an existing or
72 34 proposed business entity, including an emerging small business
72 35 or qualified business which is operated for profit and which
73 1 has a primary business purpose of doing business in at least
73 2 one of the targeted industries designated by the department
73 3 which include life sciences, software and information
73 4 technology, advanced manufacturing, value-added agriculture,
73 5 and any other industry designated as a targeted industry by
73 6 the loan and credit guarantee advisory board.
73 7 Sec. 104. NEW SECTION. 15E.224 LOAN AND CREDIT GUARANTEE
73 8 PROGRAM.
73 9 1. The department shall, with the advice of the loan and
73 10 credit guarantee advisory board, establish and administer a
73 11 loan and credit guarantee program. The department, pursuant
73 12 to agreements with financial institutions, shall provide loan
73 13 and credit guarantees, or other forms of credit guarantees for
73 14 qualified businesses and targeted industry businesses for
73 15 eligible project costs. A loan or credit guarantee provided
73 16 under the program may stand alone or may be used in
73 17 conjunction with or to enhance other loans or credit
73 18 guarantees, offered by private, state, or federal entities.
73 19 The department may purchase insurance to cover defaulted loans
73 20 meeting the requirements of the program. However, the
73 21 department shall not in any manner directly or indirectly
73 22 pledge the credit of the state. Eligible project costs
73 23 include expenditures for productive equipment and machinery,
73 24 working capital for operations and export transactions,
73 25 research and development, marketing, and such other costs as
73 26 the department may so designate.
73 27 2. A loan or credit guarantee or other form of credit
73 28 guarantee provided under the program to a participating
73 29 financial institution for a single qualified business or
73 30 targeted industry business shall not exceed one million
73 31 dollars in value. Loan or credit guarantees or other forms of
73 32 credit guarantees provided under the program to more than one
73 33 participating financial institution for a single qualified
73 34 business or targeted industry business shall not exceed ten
73 35 million dollars in value.
74 1 3. In administering the program, the department shall
74 2 consult and cooperate with financial institutions in this
74 3 state and with the loan and credit guarantee advisory board.
74 4 Administrative procedures and application procedures, as
74 5 practicable, shall be responsive to the needs of qualified
74 6 businesses, targeted industry businesses, and financial
74 7 institutions, and shall be consistent with prudent investment

74 8 and lending practices and criteria.
74 9 4. Each participating financial institution shall identify
74 10 and underwrite potential lending opportunities with qualified
74 11 businesses and targeted industry businesses. Upon a
74 12 determination by a participating financial institution that a
74 13 qualified business or targeted industry business meets the
74 14 underwriting standards of the financial institution, subject
74 15 to the approval of a loan or credit guarantee, the financial
74 16 institution shall submit the underwriting information and a
74 17 loan or credit guarantee application to the department.

74 18 5. The department, with the advice of the loan and credit
74 19 guarantee advisory board, shall adopt a loan or credit
74 20 guarantee application procedure for a financial institution on
74 21 behalf of a qualified business or targeted industry business.

74 22 6. Upon approval of a loan or credit guarantee, the
74 23 department shall enter into a loan or credit guarantee
74 24 agreement with the participating financial institution. The
74 25 agreement shall specify all of the following:

74 26 a. The fee to be charged to the financial institution.

74 27 b. The evidence of debt assurance of, and security for,
74 28 the loan or credit guarantee.

74 29 c. A loan or credit guarantee that does not exceed fifteen
74 30 years.

74 31 d. Any other terms and conditions considered necessary or
74 32 desirable by the department.

74 33 7. The department, with the advice of the loan and credit
74 34 guarantee advisory board, may adopt loan and credit guarantee
74 35 application procedures that allow a qualified business or
75 1 targeted industry business to apply directly to the department
75 2 for a preliminary guarantee commitment. A preliminary
75 3 guarantee commitment may be issued by the department subject
75 4 to the qualified business or targeted industry business
75 5 securing a commitment for financing from a financial
75 6 institution. The application procedures shall specify the
75 7 process by which a financial institution may obtain a final
75 8 loan and credit guarantee.

75 9 Sec. 105. NEW SECTION. 15E.225 TERMS == FEES.

75 10 1. When entering into a loan or credit guarantee
75 11 agreement, the department, with the advice of the loan and
75 12 credit guarantee advisory board, shall establish fees and
75 13 other terms for participation in the program by qualified
75 14 businesses and targeted industry businesses.

75 15 2. The department, with due regard for the possibility of
75 16 losses and administrative costs and with the advice of the
75 17 loan and credit guarantee advisory board, shall set fees and
75 18 other terms at levels sufficient to assure that the program is
75 19 self-financing.

75 20 3. For a preliminary guarantee commitment, the department
75 21 may charge a qualified business or targeted industry business
75 22 a preliminary guarantee commitment fee. The application fee
75 23 shall be in addition to any other fees charged by the
75 24 department under this section and shall not exceed one
75 25 thousand dollars for an application.

75 26 Sec. 106. NEW SECTION. 15E.226 LOAN AND CREDIT GUARANTEE
75 27 ADVISORY BOARD.

75 28 A loan and credit guarantee advisory board is established
75 29 consisting of seven members appointed by the governor, subject
75 30 to confirmation by the senate. The advisory board shall
75 31 provide the department with technical advice regarding the
75 32 administration of the program, including the adoption of
75 33 administrative rules pursuant to chapter 17A. The advisory
75 34 board shall review and provide recommendations regarding all
75 35 applications under the program. Members of the advisory board
76 1 are entitled to receive reimbursement for actual expenses
76 2 incurred while engaged in the performance of official duties.
76 3 Advisory board members may also be eligible to receive
76 4 compensation as provided in section 7E.6. The director of the
76 5 department shall budget moneys to pay the compensation and
76 6 expenses of the advisory board. The provisions of this
76 7 section relating to the adoption of administrative rules shall
76 8 be construed narrowly.

76 9 DIVISION XI

76 10 ECONOMIC DEVELOPMENT ASSISTANCE AND DATA COLLECTION

76 11 Sec. 107. NEW SECTION. 15E.118 BUSINESS START=UP
76 12 INFORMATION == INTERNET WEB SITE.

76 13 The department shall provide information through an
76 14 internet web site and a toll-free telephone service to assist
76 15 persons interested in establishing a commercial facility or
76 16 engaging in a commercial activity. The information shall
76 17 include all of the following:

76 18 1. Assistance, information, and guidance for start=up

76 19 businesses.

76 20 2. Information gathered by the department pursuant to

76 21 section 15E.17, subsection 2.

76 22 3. Personal and corporate income tax information.

76 23 4. Information regarding financial assistance and

76 24 incentives available to businesses.

76 25 5. Workforce availability in the state presented in a

76 26 regional format.

76 27 Sec. 108. NEW SECTION. 15E.119 ECONOMIC DEVELOPMENT=

76 28 RELATED DATA COLLECTION.

76 29 1. The department shall interview any business that

76 30 considered locating in Iowa but decided to locate elsewhere.

76 31 The department shall attempt to determine factors that

76 32 affected the location decision of the business.

76 33 2. The department shall interview any business that closes

76 34 major operations in the state or dissolves the business's

76 35 corporate status in an effort to identify factors that led to

77 1 the closure or dissolution.

77 2 3. By January 15 of each year, the department shall submit

77 3 a written report to the general assembly that summarizes the

77 4 information collected pursuant to this section and provides

77 5 suggested amendments to the Code of Iowa and the Iowa

77 6 administrative code designed to stimulate and expand the

77 7 state's economy.

77 8 Sec. 109. INTERNET WEB SITE DEVELOPMENT. In developing

77 9 the internet web site required in section 15E.118, the

77 10 department of economic development shall examine similar

77 11 efforts in other states and incorporate the best practices.

77 12 DIVISION XII

77 13 CULTURAL AND ENTERTAINMENT DISTRICTS

77 14 Sec. 110. NEW SECTION. 303.3B CULTURAL AND ENTERTAINMENT

77 15 DISTRICTS.

77 16 1. The department of cultural affairs shall establish and

77 17 administer a cultural and entertainment district certification

77 18 program. The program shall encourage the growth of

77 19 communities through the development of areas within a city or

77 20 county for public and private uses related to cultural and

77 21 entertainment purposes.

77 22 2. A city or county may create and designate a cultural

77 23 and entertainment district subject to certification by the

77 24 department of cultural affairs, in consultation with the

77 25 department of economic development. A cultural and

77 26 entertainment district shall consist of a geographic area not

77 27 exceeding one square mile in size. A cultural and

77 28 entertainment district certification shall remain in effect

77 29 for ten years following the date of certification. Two or

77 30 more cities or counties may apply jointly for certification of

77 31 a district that extends across a common boundary. Through the

77 32 adoption of administrative rules, the department of cultural

77 33 affairs shall develop a certification application for use in

77 34 the certification process. The provisions of this subsection

77 35 relating to the adoption of administrative rules shall be

78 1 construed narrowly.

78 2 3. The department of cultural affairs shall encourage

78 3 development projects and activities located in certified

78 4 cultural and entertainment districts through incentives under

78 5 cultural grant programs pursuant to section 303.3, chapter

78 6 303A, and any other grant programs.

78 7 DIVISION XIII

78 8 UNIVERSITY=BASED RESEARCH UTILIZATION PROGRAM

78 9 Sec. 111. NEW SECTION. 262B.11 UNIVERSITY=BASED RESEARCH

78 10 UTILIZATION PROGRAM.

78 11 1. The department of economic development shall establish

78 12 and administer a university-based research utilization program

78 13 for purposes of encouraging the utilization of university=

78 14 based research, primarily in the area of high technology, in

78 15 new or existing businesses. The program shall include the

78 16 three universities under the control of the state board of

78 17 regents and all accredited private universities located in the

78 18 state.

78 19 2. A new or existing business that utilizes a technology

78 20 developed by an employee at a university under the control of

78 21 the state board of regents may apply to the department of

78 22 economic development for approval to participate in the

78 23 university-based research utilization program. The department

78 24 shall approve an applicant if the applicant meets all of the

78 25 following criteria:

78 26 a. The applicant utilizes a technology developed by an

78 27 employee at a university under the control of the state board

78 28 of regents, provided that the technology has received a patent

78 29 after the effective date of this Act. If the applicant has

78 30 been in existence more than one year prior to applying, the
78 31 applicant shall organize a separate company to utilize the
78 32 technology. For purposes of this section, the separate
78 33 company shall be considered the applicant and, if approved,
78 34 the approved business.

78 35 b. The applicant develops a five-year business plan
79 1 approved by the department. The plan shall include
79 2 information concerning the applicant's Iowa employment goals
79 3 and projected impact on the Iowa economy. The department
79 4 shall only approve plans showing sufficient potential impact
79 5 on Iowa employment and economic development.

79 6 c. The applicant meets a minimum-size business standard
79 7 determined by the department.

79 8 d. The applicant provides annual reports to the department
79 9 that include employment statistics for the applicant and the
79 10 total taxable wages paid to Iowa employees and reported to the
79 11 department of revenue and finance pursuant to section 422.16.

79 12 3. A business approved under the program and the
79 13 university employee responsible for the development of the
79 14 technology utilized by the approved business shall be eligible
79 15 for a tax credit. The credit shall be allowed against the
79 16 taxes imposed in chapter 422, divisions II and III. An
79 17 individual may claim a tax credit under this section of a
79 18 partnership, limited liability company, S corporation, estate,
79 19 or trust electing to have income taxed directly to the
79 20 individual. The amount claimed by the individual shall be
79 21 based upon the pro rata share of the individual's earnings
79 22 from the partnership, limited liability company, S
79 23 corporation, estate, or trust. A tax credit shall not be
79 24 claimed under this subsection unless a tax credit certificate
79 25 issued by the department of economic development is attached
79 26 to the taxpayer's tax return for the tax year for which the
79 27 tax credit is claimed. The amount of a tax credit allowed
79 28 under this subsection shall equal the amount listed on a tax
79 29 credit certificate issued by the department of economic
79 30 development pursuant to subsection 4. A tax credit
79 31 certificate shall not be transferable. Any tax credit in
79 32 excess of the taxpayer's liability for the tax year may be
79 33 credited to the taxpayer's tax liability for the following
79 34 five years or until depleted, whichever occurs first. A tax
79 35 credit shall not be carried back to a tax year prior to the
80 1 tax year in which the taxpayer redeems the tax credit.

80 2 4. For the five tax years following the tax year in which
80 3 a business is approved under the program, the department of
80 4 revenue and finance shall provide the department of economic
80 5 development with information required by the department of
80 6 economic development from each tax return filed by the
80 7 approved business. Upon receiving the tax return-related
80 8 information, the department of economic development shall do
80 9 all of the following:

80 10 a. Review the information provided by the department of
80 11 revenue and finance pursuant to this subsection and the annual
80 12 report submitted by the applicant pursuant to subsection 2,
80 13 paragraph "d". If the department determines that the business
80 14 activities of the applicant are not providing the benefits to
80 15 Iowa employment and economic development projected in the
80 16 applicant's approved five-year business plan, the department
80 17 shall not issue tax credit certificates for that year to the
80 18 applicant or university employee and shall determine any
80 19 related university share to be equal to zero for that year.

80 20 b. Effective for the fiscal year beginning July 1, 2004,
80 21 and for subsequent fiscal years, issue a tax credit
80 22 certificate to the approved business and the university
80 23 employee responsible for the development of the technology
80 24 utilized by the approved business in an amount determined
80 25 pursuant to subsection 5. A tax credit certificate shall
80 26 contain the taxpayer's name, address, tax identification
80 27 number, the amount of the tax credit, and other information
80 28 required by the department of revenue and finance.

80 29 c. (1) Determine the university share which is equal to
80 30 the value of thirty percent of the tax liability of the
80 31 approved business for purposes of making an appropriation
80 32 pursuant to section 262B.12, if enacted by 2003 Iowa Acts,
80 33 House File 683 or another Act, to the university where the
80 34 technology utilized by the approved business was developed. A
80 35 university share shall not exceed two hundred twenty-five
81 1 thousand dollars per year per technology utilized. For each
81 2 technology utilized, the aggregate university share over a
81 3 five-year period shall not exceed six hundred thousand
81 4 dollars.

81 5 (2) The department shall maintain records for each

81 6 university during each fiscal year regarding the university
81 7 share each university is entitled to receive through the
81 8 appropriation in section 262B.12, if enacted by 2003 Iowa
81 9 Acts, House File 683 or another Act. A university shall be
81 10 entitled to receive the total university share for that
81 11 particular university during the previous fiscal year.
81 12 d. For the fiscal year beginning July 1, 2004, not more
81 13 than two million dollars worth of certificates shall be issued
81 14 pursuant to paragraph "b". For the fiscal year beginning July
81 15 1, 2005, and every fiscal year thereafter, not more than ten
81 16 million dollars worth of certificates shall be issued pursuant
81 17 to paragraph "b".
81 18 5. The tax credit certificates issued by the department
81 19 for each of the five years following the tax year in which the
81 20 business is approved under the program shall be for the
81 21 following amounts:
81 22 a. For the approved business, the value of the tax credit
81 23 certificate shall equal thirty percent of the tax liability of
81 24 the approved business. The value of a certificate issued to
81 25 an approved business shall not exceed two hundred twenty-five
81 26 thousand dollars. The total aggregate value of certificates
81 27 issued over a five-year period to an approved business shall
81 28 not exceed six hundred thousand dollars.
81 29 b. For the university employee responsible for the
81 30 development of the technology utilized by the approved
81 31 business, the value of the tax credit certificate shall equal
81 32 ten percent of the tax liability of the approved business. If
81 33 more than one employee is responsible for the development of
81 34 the technology, the value equal to ten percent of the tax
81 35 liability of the approved business shall be divided equally
82 1 and individual tax credit certificates shall be issued to each
82 2 employee responsible for the development of the technology.
82 3 Each year, the total value of a certificate or certificates
82 4 issued for a utilized technology shall not exceed seventy-five
82 5 thousand dollars. For each technology utilized, the total
82 6 aggregate value of certificates issued over a five-year period
82 7 to the university employee responsible for the development of
82 8 the technology shall not exceed two hundred thousand dollars.
82 9 6. The department of economic development shall notify the
82 10 department of revenue and finance when a tax credit
82 11 certificate is issued pursuant to subsection 4. The
82 12 notification shall include the name and tax identification
82 13 number appearing on any tax credit certificate.
82 14 Sec. 112. NEW SECTION. 422.11H UNIVERSITY-BASED RESEARCH
82 15 UTILIZATION PROGRAM TAX CREDIT.
82 16 The taxes imposed under this division, less the credits
82 17 allowed under sections 422.12 and 422.12B, shall be reduced by
82 18 a university-based research utilization program tax credit
82 19 authorized pursuant to section 262B.11.
82 20 Sec. 113. Section 422.33, Code 2003, is amended by adding
82 21 the following new subsection:
82 22 NEW SUBSECTION. 14. The taxes imposed under this division
82 23 shall be reduced by a university-based research utilization
82 24 program tax credit authorized pursuant to section 262B.11.
82 25 DIVISION XIV
82 26 FUTURE REPEAL
82 27 Sec. 114. The divisions of this Act designated the grow
82 28 Iowa board and fund, the value-added agricultural products and
82 29 processes financial assistance program, the endow Iowa grants,
82 30 the technology transfer advisors, the Iowa economic
82 31 development loan and credit guarantee fund, the economic
82 32 development assistance and data collection, the cultural and
82 33 entertainment districts, the workforce issues, and the
82 34 university-based research utilization program, are repealed
82 35 effective June 30, 2010.
83 1 DIVISION XV
83 2 LIABILITY REFORM
83 3 Sec. 115. Section 625A.9, Code 2003, is amended to read as
83 4 follows:
83 5 625A.9 EXECUTION ON UNSTAYED PART OF JUDGMENT ==
83 6 SUPERSEDEAS BOND WAIVED.
83 7 1. The taking of the appeal from part of a judgment or
83 8 order, and the filing of a bond ~~as above directed~~, does not
83 9 stay execution as to that part of the judgment or order not
83 10 appealed from.
83 11 2. If the judgment or order appealed from is for money,
83 12 such bond shall not exceed one hundred ten percent of the
83 13 amount of the money judgment.
83 14 3. Upon motion and for good cause shown, the district
83 15 court may stay all proceedings under the order or judgment
83 16 being appealed and permit the state or any of its political

83 17 subdivisions to appeal a judgment or order to the supreme
83 18 court without the filing of a supersedeas bond.

83 19 Sec. 116. Section 668.12, Code 2003, is amended to read as
83 20 follows:

83 21 668.12 LIABILITY FOR PRODUCTS == ~~STATE OF THE ART DEFENSE~~
83 22 DEFENSES.

83 23 1. In any action brought pursuant to this chapter against
83 24 an assembler, designer, supplier of specifications,
83 25 distributor, manufacturer, or seller for damages arising from
83 26 an alleged defect in the design, testing, manufacturing,
83 27 formulation, packaging, warning, or labeling of a product, a
83 28 percentage of fault shall not be assigned to such persons if
83 29 they plead and prove that the product conformed to the state
83 30 of the art in existence at the time the product was designed,
83 31 tested, manufactured, formulated, packaged, provided with a
83 32 warning, or labeled.

83 33 2. Nothing contained in ~~this section~~ subsection 1 shall
83 34 diminish the duty of an assembler, designer, supplier of
83 35 specifications, distributor, manufacturer or seller to warn
84 1 concerning subsequently acquired knowledge of a defect or
84 2 dangerous condition that would render the product unreasonably
84 3 dangerous for its foreseeable use or diminish the liability
84 4 for failure to so warn.

84 5 3. An assembler, designer, supplier of specifications,
84 6 distributor, manufacturer, or seller shall not be subject to
84 7 liability under a theory of civil conspiracy unless the person
84 8 knowingly and voluntarily entered into an agreement, express
84 9 or implied, to participate in a common plan with the intent to
84 10 commit a tortious act upon another. Mere membership in a
84 11 trade or industrial association or group is not, in and of
84 12 itself, evidence of such an agreement.

84 13 Sec. 117. Section 668A.1, subsection 1, Code 2003, is
84 14 amended to read as follows:

84 15 1. In a trial of a claim involving the request for
84 16 punitive or exemplary damages, the court shall instruct the
84 17 jury to answer special interrogatories or, if there is no
84 18 jury, shall make findings, indicating all of the following:

84 19 a. ~~Whether, by a preponderance of clear, convincing, and~~
84 20 ~~satisfactory evidence, the conduct of the defendant from which~~
84 21 ~~the claim arose constituted willful and wanton disregard for~~
84 22 ~~the rights or safety of another.~~

84 23 b. ~~Whether the conduct of the defendant was directed~~
84 24 ~~specifically at the claimant, or at the person from which the~~
84 25 ~~claimant's claim is derived.~~

84 26 b. Whether, by a preponderance of clear and convincing
84 27 evidence, the conduct of the defendant from which the claim
84 28 arose constituted actual malice.

84 29 Sec. 118. NEW SECTION. 668A.2 DEFINITIONS.

84 30 As used in this chapter, the following terms shall have the
84 31 following meanings:

84 32 1. "Clear and convincing evidence" means evidence which
84 33 leaves no serious or substantial doubt about the correctness
84 34 of the conclusions drawn from the evidence. It is more than a
84 35 preponderance of evidence, but less than beyond a reasonable
85 1 doubt.

85 2 2. "Malice" means either conduct which is specifically
85 3 intended by the defendant to cause tangible or intangible
85 4 serious injury to the plaintiff or conduct that is carried out
85 5 by the defendant both with a flagrant indifference to the
85 6 rights of the plaintiff and with a subjective awareness that
85 7 such conduct will result in tangible serious injury.

85 8 Sec. 119. NEW SECTION. 668A.3 AWARD OF PUNITIVE OR
85 9 EXEMPLARY DAMAGES == PROOF == STANDARD.

85 10 Punitive or exemplary damages shall only be awarded where
85 11 the plaintiff proves by clear and convincing evidence that the
85 12 plaintiff's harm was the result of actual malice. This burden
85 13 of proof shall not be satisfied by proof of any degree of
85 14 negligence, including gross negligence.

85 15 Sec. 120. APPLICABILITY. This division of this Act,
85 16 relating to liability reform, applies to cases filed on or
85 17 after July 1, 2003.

85 18 DIVISION XVI
85 19 WORKERS' COMPENSATION

85 20 Sec. 121. Section 85.34, subsection 2, paragraph u, Code
85 21 2003, is amended by adding the following new unnumbered
85 22 paragraph after unnumbered paragraph 2:

85 23 NEW UNNUMBERED PARAGRAPH. When an employee makes a claim
85 24 for benefits under this subsection, the employer is not liable
85 25 for that portion of the employee's present disability caused
85 26 by a prior work-related injury or illness that was sustained
85 27 by the employee while the employee was employed by a different

85 28 employer. When an employee's present disability includes
85 29 disability caused by a prior work-related injury or illness
85 30 that was sustained by the employee while in the employ of the
85 31 same employer, the employer is liable for compensating all of
85 32 the employee's work-related disability sustained by the
85 33 employee while in the employ of the employer, except that any
85 34 portion of the disability that was previously compensated by
85 35 the employer shall be deducted from the employer's obligation
86 1 to pay benefits for the employee's present disability. If an
86 2 employee's present disability is reduced by a portion of
86 3 disability sustained from prior work-related injuries or
86 4 illnesses for which the employee has already been compensated
86 5 by the same employer, then the employee shall receive
86 6 compensation for the remaining disability caused by the
86 7 present work-related injury or illness plus an additional ten
86 8 percent of the amount of the increase in disability.
86 9 Sec. 122. Section 86.12, Code 2003, is amended to read as
86 10 follows:

86 11 86.12 FAILURE TO REPORT.

86 12 The workers' compensation commissioner may require any
86 13 employer to supply the information required by section 86.10
86 14 or to file a report required by section 86.11 or 86.13 or by
86 15 agency rule, by written demand sent to the employer's last
86 16 known address. Upon failure to supply such information or
86 17 file such report within ~~twenty~~ thirty days, the employer may
86 18 be ordered to appear and show cause why the employer should
86 19 not be subject to ~~civil penalty assessment~~ of one ~~hundred~~
86 20 thousand dollars for each occurrence. Upon such hearing, the
86 21 workers' compensation commissioner shall enter a finding of
86 22 fact and may enter an order requiring such ~~penalty assessment~~
86 23 to be paid into the second injury fund created by sections
86 24 85.63 to 85.69. In the event the ~~civil penalty assessed~~
86 25 assessment is not voluntarily paid within thirty days the
86 26 workers' compensation commissioner may file a certified copy
86 27 of such finding and order with the clerk of the court for the
86 28 district in which the employer maintains a place of business.
86 29 If the employer maintains no place of business in this state
86 30 service shall be made as provided in chapter 85 for
86 31 nonresident employers. In such case the finding and order may
86 32 be filed in any court of competent jurisdiction within this
86 33 state.

86 34 The workers' compensation commissioner may thereafter
86 35 petition the court for entry of judgment upon such order,
87 1 serving notice of such petition on the employer and any other
87 2 person in default. If the court finds the order valid, the
87 3 court shall enter judgment against the person or persons in
87 4 default for the amount due under the order. No fees shall be
87 5 required for the filing of the order or for the petition for
87 6 judgment, or for the entry of judgment or for any enforcement
87 7 procedure thereupon. No supersedeas shall be granted by any
87 8 court to a judgment entered under this section.

87 9 When a report is required under section 86.11 or 86.13 or
87 10 by agency rule, and ~~that report has been submitted to the~~
87 11 ~~employer's insurance carrier and no report of injury has been~~
87 12 ~~filed with the workers' compensation commissioner possesses~~
87 13 ~~the information necessary to file the report~~, the insurance
87 14 carrier shall be responsible for filing the report ~~of injury~~
87 15 in the same manner and to the same extent as an employer under
87 16 this section.

87 17 Sec. 123. NEW SECTION. 86.13A COMPLIANCE MONITORING AND
87 18 ENFORCEMENT.

87 19 The workers' compensation commissioner shall monitor the
87 20 rate of compliance of each employer and each insurer with the
87 21 requirement to commence benefit payments within the time
87 22 specified in section 85.30. The commissioner shall determine
87 23 the percentage of reported injuries where the statutory
87 24 standard was met and the average number of days that
87 25 commencement of voluntary benefits was delayed for each
87 26 employer and each insurer individually, and for all employers
87 27 and all insurers as separate groups.

87 28 If during any fiscal year commencing after June 30, 2005,
87 29 the general business practices of an employer or insurer
87 30 result in the delay of the commencement of voluntary weekly
87 31 compensation payments after the date specified in section
87 32 85.30 more frequently and for a longer number of days than the
87 33 average number of days for the entire group of employers or
87 34 insurers, the commissioner may impose an assessment on the
87 35 employer or insurer payable to the second injury fund created
88 1 in section 85.66. The amount of the assessment shall be ten
88 2 dollars, multiplied by the average number of days that weekly
88 3 compensation payments were delayed after the date specified in

88 4 section 85.30, and multiplied by the number of injuries the
88 5 employer or insurer reported during the fiscal year.
88 6 Notwithstanding the foregoing, an assessment shall not be
88 7 imposed if the employer or insurer commenced voluntary weekly
88 8 compensation benefits within the time specified in section
88 9 85.30 for more than seventy-five percent of the injuries
88 10 reported by the employer or insurer.

88 11 The commissioner may waive or reduce an assessment under
88 12 this section if an employer or insurer demonstrates to the
88 13 commissioner that atypical events during the fiscal year,
88 14 including but not limited to a small number of cases, made the
88 15 statistical data for that employer or insurer unrepresentative
88 16 of the actual payout practices of the employer or insurer for
88 17 that year.

88 18 Sec. 124. APPLICABILITY. This division of this Act,
88 19 relating to workers' compensation, applies to an injury
88 20 occurring on or after July 1, 2003.

88 21 DIVISION XVII

88 22 FINANCIAL SERVICES

88 23 Sec. 125. Section 537.2502, subsections 3 and 6, Code
88 24 2003, are amended to read as follows:

88 25 3. A delinquency charge shall not be collected under
88 26 subsection 1, paragraph "a", on an installment ~~which that is~~
88 27 paid in full within ten days after its scheduled or deferred
88 28 installment due date even though an earlier maturing
88 29 installment or a delinquency or deferral charge on an earlier
88 30 installment may not have been paid in full. For purposes of
88 31 this subsection, payments associated with a precomputed
88 32 transaction are applied first to current installments and then
88 33 to delinquent installments.

88 34 6. A delinquency charge shall not be collected under
88 35 subsection 4 on a payment ~~which associated with a precomputed~~
89 1 transaction that is paid in full on or before its scheduled or
89 2 deferred due date even though an earlier maturing payment or a
89 3 delinquency or deferred charge on an earlier payment has not
89 4 been paid in full. For purposes of this subsection, payments
89 5 are applied first to amounts due for the current billing cycle
89 6 and then to delinquent payments.

89 7 Sec. 126. Section 537.2601, subsection 1, Code 2003, is
89 8 amended to read as follows:

89 9 1. ~~Except as provided in subsection 2, with~~ With respect
89 10 to a credit transaction other than a consumer credit
89 11 transaction, the parties may contract for the payment by the
89 12 debtor of any finance or other charge as permitted by law.
89 13 ~~Except with respect to debt obligations issued by a~~
89 14 ~~government, governmental agency or instrumentality, in~~
89 15 ~~calculating any finance charge contracted for, any month may~~
89 16 ~~be counted as one-twelfth of a year, but a day is to be~~
89 17 ~~counted as one three-hundred sixty-fifth of a year.~~

89 18 DIVISION XVIII

89 19 UNEMPLOYMENT COMPENSATION SURCHARGE

89 20 Sec. 127. Section 96.7, subsection 12, paragraph a, Code
89 21 2003, is amended to read as follows:

89 22 a. An employer other than a governmental entity or a
89 23 nonprofit organization, subject to this chapter, shall pay an
89 24 administrative contribution surcharge equal in amount to one=
89 25 tenth of one percent of federal taxable wages, as defined in
89 26 section 96.19, subsection 37, paragraph "b", subject to the
89 27 surcharge formula to be developed by the department under this
89 28 paragraph. The department shall develop a surcharge formula
89 29 that provides a target revenue level of no greater than six
89 30 million five hundred twenty-five thousand dollars annually for
89 31 calendar years 2003, 2004, and 2005 and a target revenue level
89 32 of no greater than three million two hundred sixty-two
89 33 thousand five hundred dollars for calendar year 2006 and each
89 34 subsequent calendar year. The department shall reduce the
89 35 administrative contribution surcharge established for any
90 1 calendar year proportionate to any federal government funding
90 2 that provides an increased allocation of moneys for workforce
90 3 development offices, under the federal employment services
90 4 financing reform legislation. Any administrative contribution
90 5 surcharge revenue that is collected in calendar year ~~2002~~
90 6 2003, 2004, or 2005 in excess of six million five hundred
90 7 twenty-five thousand dollars or in calendar year 2006 or a
90 8 subsequent calendar year in excess of three million two
90 9 hundred sixty-two thousand five hundred dollars shall be
90 10 deducted from the amount to be collected in the subsequent
90 11 calendar year 2003 before the department establishes the
90 12 administrative contribution surcharge. The department shall
90 13 recompute the amount as a percentage of taxable wages, as
90 14 defined in section 96.19, subsection 37, and shall add the

90 15 percentage surcharge to the employer's contribution rate
90 16 determined under this section. The percentage surcharge shall
90 17 be capped at a maximum of seven dollars per employee. The
90 18 department shall adopt rules prescribing the manner in which
90 19 the surcharge will be collected. Interest shall accrue on all
90 20 unpaid surcharges under this subsection at the same rate as on
90 21 regular contributions and shall be collectible in the same
90 22 manner. Interest accrued and collected under this paragraph
90 23 and interest earned and credited to the fund under paragraph
90 24 "b" shall be used by the department only for the purposes set
90 25 forth in paragraph "c".
90 26 Sec. 128. Section 96.7, subsection 12, paragraph d, Code
90 27 2003, is amended to read as follows:
90 28 d. This subsection is repealed July 1, ~~2003~~ 2006, and the
90 29 repeal is applicable to contribution rates for calendar year
90 30 ~~2004~~ 2007 and subsequent calendar years.

90 31 Sec. 129. EFFECTIVE DATE. This division of this Act,
90 32 concerning the unemployment compensation surcharge, being
90 33 deemed of immediate importance, takes effect upon enactment.

90 34 DIVISION XIX

90 35 ECONOMIC DEVELOPMENT

91 1 Sec. 130. NEW SECTION. 15E.18 CITIES, COUNTIES, AND
91 2 REGIONS == SITE PREPARATION FOR TARGETED ECONOMIC DEVELOPMENT.

91 3 1. For purposes of this section, "region" means a group of
91 4 two or more contiguous counties that establishes a single,
91 5 focused economic development effort.

91 6 2. A city, county, or region, subject to the approval of
91 7 the property owner, may designate an area within the
91 8 boundaries of the city, county, or region for a specific type
91 9 of targeted economic development. The specific type of
91 10 targeted economic development shall be one of the following:

- 91 11 a. Manufacturing.
- 91 12 b. Light industrial.
- 91 13 c. Warehouse and distribution.
- 91 14 d. Office parks.
- 91 15 e. Business and commerce parks.
- 91 16 f. Research and development.

91 17 3. A city, county, or region that designates an area for a
91 18 specific type of targeted economic development may apply to
91 19 the department for purposes of certifying the area as a
91 20 preapproved development site. The department shall develop
91 21 criteria for the certification process.

91 22 4. Prior to a specific project being developed, a city,
91 23 county, or region designating the area for targeted economic
91 24 development pursuant to this section may apply for and obtain
91 25 appropriate licenses, permits, and approvals for the type of
91 26 targeted economic development project desired for the area.

91 27 Sec. 131. NEW SECTION. 15E.19 REGULATORY ASSISTANCE.

91 28 1. The department of economic development shall coordinate
91 29 all regulatory assistance for the state of Iowa. Each state
91 30 agency with regulatory programs for business shall maintain a
91 31 coordinator within the office of the director or the
91 32 administrative division of the state agency. Each coordinator
91 33 shall do all of the following:

- 91 34 a. Serve as the department of economic development's
91 35 primary contact for regulatory affairs.
- 92 1 b. Provide regulatory requirements to businesses and
92 2 represent the agency in the private sector.
- 92 3 c. Monitor permit applications and provide timely permit
92 4 status information to the department of economic development.
- 92 5 d. Have the ability to require regulatory staff
92 6 participation in negotiations and discussions with businesses.
- 92 7 e. Notify the department of economic development regarding
92 8 proposed rulemaking activities that impact a regulatory
92 9 program and any subsequent changes to a regulatory program.

92 10 2. The department of economic development shall, in
92 11 consultation with the coordinators described in this section,
92 12 examine, and to the extent permissible, assist in the
92 13 implementation of methods, including the possible
92 14 establishment of an electronic database, to streamline the
92 15 process for issuing permits to business.

92 16 3. By January 15 of each year, the department of economic
92 17 development shall submit a written report to the general
92 18 assembly regarding the provision of regulatory assistance by
92 19 state agencies, including the department's efforts, and its
92 20 recommendations and proposed solutions, to streamline the
92 21 process of issuing permits to business.

92 22 DIVISION XX

92 23 UTILITY SALES TAX EXEMPTION

92 24 Sec. 132. Section 422.45, subsection 61, paragraph b,
92 25 subparagraphs (2), (3), (4), and (5), Code 2003, are amended

92 26 to read as follows:

92 27 (2) If the date of the utility billing or meter reading
92 28 cycle of the residential customer for the sale, furnishing, or
92 29 service of metered gas and electricity is on or after January
92 30 1, 2003, through ~~December 31, 2003~~ June 30, 2008, or if the
92 31 sale, furnishing, or service of fuel for purposes of
92 32 residential energy and the delivery of the fuel occurs on or
92 33 after January 1, 2003, through ~~December 31, 2003~~ June 30,
92 34 2008, the rate of tax is three percent of the gross receipts.

92 35 (3) If the date of the utility billing or meter reading
93 1 cycle of the residential customer for the sale, furnishing, or
93 2 service of metered gas and electricity is on or after ~~January~~
93 3 ~~1, 2004~~ July 1, 2008, through ~~December 31, 2004~~ June 30, 2009,
93 4 or if the sale, furnishing, or service of fuel for purposes of
93 5 residential energy and the delivery of the fuel occurs on or
93 6 after ~~January 1, 2004~~ July 1, 2008, through ~~December 31, 2004~~
93 7 June 30, 2009, the rate of tax is two percent of the gross
93 8 receipts.

93 9 (4) If the date of the utility billing or meter reading
93 10 cycle of the residential customer for the sale, furnishing, or
93 11 service of metered gas and electricity is on or after ~~January~~
93 12 ~~1, 2005~~ July 1, 2009, through ~~December 31, 2005~~ June 30, 2010,
93 13 or if the sale, furnishing, or service of fuel for purposes of
93 14 residential energy and the delivery of the fuel occurs on or
93 15 after ~~January 1, 2005~~ July 1, 2009, through ~~December 31, 2005~~
93 16 June 30, 2010, the rate of tax is one percent of the gross
93 17 receipts.

93 18 (5) If the date of the utility billing or meter reading
93 19 cycle of the residential customer for the sale, furnishing, or
93 20 service of metered gas and electricity is on or after ~~January~~
93 21 ~~1, 2006~~ July 1, 2010, or if the sale, furnishing, or service
93 22 of fuel for purposes of residential energy and the delivery of
93 23 the fuel occurs on or after ~~January 1, 2006~~ July 1, 2010, the
93 24 rate of tax is zero percent of the gross receipts.

93 25 DIVISION XXI
93 26 EFFECTIVE DATE

93 27 Sec. 133. EFFECTIVE DATE. Unless otherwise provided in
93 28 this Act, this Act takes effect July 1, 2003.

93 29 HF 692

93 30 sc/es/25